FINANCE DEPARTMENT

Estimate of General Revenue

Adopted FY 2018-2022

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The Revenue Committee Expresses Its Appreciation to the Public and Private Sector Business Community for their Assistance in the Development of this Report

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COUNTY OF PRINCE WILLIAM

FINANCE DEPARTMENT

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Michelle L. Attreed
Director of Finance

May 30, 2017

TO:	Board of County Supervisors
THRU:	Christopher E. Martino County Executive
FROM:	Michelle L. Attreed Director of Finance
RE:	Revenue Committee Report, Fiscal Year 2018-2022

I am pleased to present the Adopted FY 2018–2022 Estimate of General Revenue. This report was prepared in accordance with the County's *Principles of Sound Financial Management* as part of the responsibility to citizens to carefully plan for the funding of programs and services, including the provision and maintenance of public facilities and infrastructure.

During the development of the revenue forecast, the Revenue Committee sought input from public and private sector business representatives most knowledgeable with the County's major revenue sources. The discussions and their input assisted the Committee in identifying and interpreting important local, state, and national economic conditions and trends.

Average residential real estate values grew by 1.6% while commercial values increased 8.5% during calendar year 2016 (tax year 2017). Personal property values related to vehicles, on the other hand, have declined slightly due to a decrease in the average assessed value, partially offset by an increase in the number of billable units. New taxable business tangible property, mainly from data centers, continues to grow and be a positive driver of personal property tax revenue. Sales tax and Business, Professional and Occupational License (BPOL) tax revenues are projected to increase between 3.0% to 3.5%. In December 2016, after months of speculation, the Federal Reserve increased the target Federal Funds Rate from 0.50% to 0.75%. The Federal Reserve Open Market Committee increased rates again in March and is forecasting two additional increases in calendar year 2017. It is projected that the County's investment income revenue will improve due to both rising interest rates and overall portfolio growth.

A real estate tax rate of $1.125 generates an average residential tax bill of $3,888, a 1.86% increase over the FY 2017 average tax bill. This revenue policy directive for the FY 2018 budget was approved by the Board of County Supervisors on April 19, 2017. This estimate of general revenue also provides for an acceleration of the Business, Professional, and Occupational License Tax gross receipts threshold to $500,000 effective FY 2018 and beyond.

These revenue estimates are used in support of the FY 2018 Fiscal Plan, the Capital Improvement Plan for FY 2018-2023 and other financial undertakings.

I would like to thank the members of the Revenue Committee, the participants from the business community, and all others who contributed to the preparation of this report.

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Economy At-A-Glance

The County's revenues are affected, in varying degrees, by economic conditions at the national, state and local levels. The charts that follow identify some of the key indicators for the national, regional and local economies and show trends year-over-year (Y-O-Y). A "green" symbol stands for a positive trend, a "yellow" symbol signals a cautionary or neutral trend and a "red" symbol represents a negative trend.

Indicator			Explanation	Trend (Y-O-Y)
CPI (Inflation) (unadjusted year/year)	**2.1%** *(Dec 2016)*	**0.7%** *(Dec 2015)*	Reflects changes in the purchasing power per unit of money	
GDP (Gross Domestic Product)	**+1.9%** *(Q4 2016)*	**+0.9%** *(Q4 2015)*	Indicator of the overall health of the U.S. economy	
Stock Market:				
S&P 500	**2,238.83** *(12/31/16)*	**2,043.94** *(12/31/15)*	Indicator of the overall health of the U.S. stock market	
Dow Jones	**19,762.60** *(12/31/16)*	**17,425.03** *(12/31/15)*	Indicator of the overall health of the U.S. stock market	
Federal Funds Rate	**0.55%** *(12/31/16)*	**0.20%** *(12/31/15)*	Indicator of return on investments	
Unemployment Rate*:				
National (seasonally adjusted)	**4.7%** *(Dec 2016)*	**5.0%** *(Dec 2015)*	Indicator of overall health of U.S. job market	
State (seasonally adjusted)	**4.1%** *(Dec 2016)*	**4.2%** *(Dec 2015)*	Indicator of overall health of VA job market	
Region (not seasonally adjusted)	**3.1%** *(Dec 2016)*	**3.2%** *(Dec 2015)*	Indicator of overall health of NoVA job market	
Prince William County (not seasonally adjusted)	**3.4%** *(Dec 2016)*	**3.5%** *(Dec 2015)*	Indicator of overall health PWC of job market	

** Bureau of Labor Statistics - U3*

Indicator			Explanation	Trend (Y-O-Y)
National Retail Sales	**+0.6%** *(M/M Dec 2016)*	**+0.4%** *(M/M Dec 2015)*	Indicator of relative health of U.S. economy	
# Employment Establishments:				
State	**257,967 (+3.1%)** *(Q2 2016)*	**250,245** *(Q2 2015)*	Indicator of overall health of VA economy, businesses & job market	
Region	**90,225 (+1.8%)** *(Q2 2016)*	**88,643** *(Q2 2015)*	Indicator of overall health of NoVA economy, businesses & job market	
Prince William County	**8,986 (+2.6%)** *(Q2 2016)*	**8,757** *(Q2 2015)*	Indicator of overall health of PWC economy, businesses & job market	
Sales Tax Growth:				
State	**-0.2%** *(FYTD Dec 2016)*	**1.2%** *(FYTD Dec 2015)*	Indicator of relative health of VA economy	
Prince William County	**+4.5%** *(Y/Y Nov 2016)*	**-11.0%** *(Y/Y Nov 2015)*	Indicator of relative health of PWC economy	
State Revenue Collections	**+4.0%** *(FYTD Dec 2016)*	**+1.6%** *(FYTD Dec 2015)*	Indicator of relative health of VA economy	
National Automobile Sales	**$17.4M** *(Jan-Dec 2016)*	**$17.3M** *(Jan-Dec 2015)*	Indicator of consumer purchasing power	
Commercial Vacancy Rates:				
Prince William County	**5.4%** *(Q4 2016)*	**6.2%** *(Q4 2015)*	Indicator of overall health of PWC businesses and commercial market	

LOCAL REAL ESTATE MARKET AT-A-GLANCE

The chart below presents some of the key indicators for the local real estate market and shows trends year-over-year (Y-O-Y).

Indicator			Explanation	Trend (Y-O-Y)
Average Sales Price (MRIS)	**$363,155 (+2.6%)** *(CYTD Dec 2016)*	**$353,931** *(CYTD Dec 2015)*	Indicator of relative health of housing market	
# of Homes Sold	**7,391 (+7.4%)** *(CYTD Dec 2016)*	**6,884** *(CYTD Dec 2015)*	Indicator of relative health of housing market	
Average # of Days on Market	**50 (-9.1%)** *(CYTD Dec 2016)*	**55** *(CYTD Dec 2015)*	Indicator of relative health of housing market	
# of Occupancy Permits Issued	**1,777 (-39.8%)** *(2016)*	**2,951** *(2015)*	Indicator of relative health of housing market	
Ratio of Homes on the Market to Homes Sold	**1.9 (-17.4%)** *(Dec 2016)*	**2.3** *(Dec 2015)*	Indicator of relative health of housing market	

Real Estate Tax Rate and Major Revenue Sources

FY 2018 Adopted Real Estate Tax Rate and Average Tax Bill

On April 19, 2017, the Board of County Supervisors adopted the Fiscal Year 2018 Fiscal Plan. The adopted real estate tax rate of $1.125 has the following tax bill impacts on property owners:

- Average real estate tax bill on existing, residential properties will increase $71 or 1.86%; and
- Average real estate tax bill on existing, commercial properties will increase 8.79%.

Major Revenue Sources

Real Estate Tax Rate:		$1.122	$1.125	$1.146	$1.155	$1.150	$1.144
($ in 000s)	**% to Total (FY 18)**	**FY 17 Revised**	**FY 18**	**FY 19**	**FY 20**	**FY 21**	**FY 22**
Real Estate Taxes	**65.75%**	$610,990	$635,247	$668,738	$701,039	$726,198	$751,441
Personal Property Taxes	**17.90%**	169,650	172,990	179,160	185,430	191,900	198,570
Sales Tax	**6.65%**	62,088	64,260	66,510	68,840	71,250	73,740
Consumer Utility Tax	**1.50%**	14,240	14,520	14,810	15,110	15,410	15,720
Communications Sales Tax	**1.78%**	17,430	17,200	17,200	17,200	17,200	17,200
BPOL Tax	**2.67%**	25,800	25,795	26,800	27,800	28,800	29,700
Investment Income	**1.00%**	8,498	9,628	10,819	13,585	17,207	20,556
All Other	**2.75%**	26,466	26,541	26,682	27,192	27,700	28,220
Total General Revenue	**100.00%**	$935,162	$966,181	$1,010,719	$1,056,196	$1,095,665	$1,135,147
School Portion		$530,386	$548,093	$573,535	$599,465	$621,955	$644,448
County Portion		398,546	411,799	430,833	450,251	467,099	483,959
Transportation Fund		6,230	6,290	6,350	6,480	6,610	6,740
Total General Revenue		$935,162	$966,181	$1,010,719	$1,056,196	$1,095,665	$1,135,147

Key Assumptions

The following sections of this report contain the key assumptions that were the topic of discussion at the Revenue Committee Meetings. The comments and insights from public and private sector participants contributed to the formation of these assumptions. Other references and information sources were used to supplement the assumptions derived during the Committee discussions.

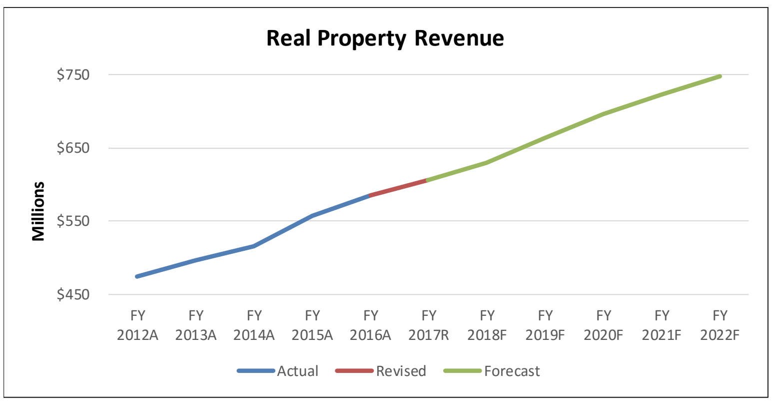
FY 2018 - 2022 GENERAL COUNTY REVENUE ESTIMATE BY CATEGORY						
GENERAL REVENUE SOURCE		**FY 18 Forecast**	**FY 19 Forecast**	**FY 20 Forecast**	**FY 21 Forecast**	**FY 22 Forecast**
Real Estate	40010	$ 630,011,000	$ 663,715,000	$ 696,418,000	$ 722,065,000	$ 747,818,000
Rollback Suppement		100,000	100,000	100,000	100,000	100,000
Real Estate Exonerations	40020	(16,382,900)	(17,259,200)	(18,109,500)	(18,776,300)	(19,445,900)
SUBTOTAL		$ 613,728,100	$ 646,555,800	$ 678,408,500	$ 703,388,700	$ 728,472,100
Real Estate-Public Service	40041	20,255,359	20,839,793	21,213,491	21,332,874	21,433,788
Real Estate Tax Deferral	40021	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Land Redemption	40025	315,000	315,000	315,000	315,000	315,000
Real Estate Penalties	40160	1,449,000	1,527,000	1,602,000	1,661,000	1,720,000
TOTAL REAL ESTATE		$ 635,247,459	$ 668,737,593	$ 701,038,991	$ 726,197,574	$ 751,440,888
Personal Property	40071	$ 171,500,000	$ 177,600,000	$ 183,800,000	$ 190,200,000	$ 196,800,000
Personal Property Prior Year	40072	50,000	50,000	50,000	50,000	50,000
Personal Property Exonerations	40079	-	-	-	-	-
Personal Property Tax Deferral	40081	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Personal Property Penalties	40170	1,940,000	2,010,000	2,080,000	2,150,000	2,220,000
TOTAL PERSONAL PROPERTY		$ 172,990,000	$ 179,160,000	$ 185,430,000	$ 191,900,000	$ 198,570,000
LOCAL SALES TAX	40210	$ 64,260,000	$ 66,510,000	$ 68,840,000	$ 71,250,000	$ 73,740,000
CONSUMER UTILITY TAX	40220	$ 14,520,000	$ 14,810,000	$ 15,110,000	$ 15,410,000	$ 15,720,000
BPOL TAXES - LOCAL BUSINESSES	40235	$ 25,795,000	$ 26,800,000	$ 27,800,000	$ 28,800,000	$ 29,700,000
INVESTMENT INCOME	40510	$ 9,628,000	$ 10,819,000	$ 13,585,000	$ 17,207,000	$ 20,556,000
COMMUNICATIONS SALES TAX	41339	$ 17,200,000	$ 17,200,000	$ 17,200,000	$ 17,200,000	$ 17,200,000
Interest on Taxes	40140	$ 1,492,000	$ 1,566,000	$ 1,638,000	$ 1,698,000	$ 1,758,000
Daily Rental Equipment Tax	40215	194,000	198,000	202,000	206,000	210,000
Bank Franchise Tax	40230	1,500,000	1,200,000	1,200,000	1,200,000	1,200,000
BPOL - Public Utility	40236	1,518,000	1,533,000	1,548,000	1,563,000	1,579,000
Vehicle Decals	40250	8,580,000	8,760,000	8,940,000	9,120,000	9,300,000
Recordation Tax	40260	8,480,000	8,560,000	8,730,000	8,900,000	9,080,000
Tax on Deeds	40261	2,360,000	2,420,000	2,460,000	2,510,000	2,560,000
Transient Occupancy Tax	40270	1,400,000	1,428,000	1,457,000	1,486,000	1,516,000
Interest Paid to Vendors	40520	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Interest Paid on Refunds	40521	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)
Rolling Stock Tax	41303	90,000	90,000	90,000	90,000	90,000
Passenger Car Rental Tax	41304	970,000	970,000	970,000	970,000	970,000
Manufactured Home Tilting Tax	41305	35,000	35,000	35,000	35,000	35,000
Federal Payment in Lieu of Taxes	41700	70,000	70,000	70,000	70,000	70,000
Undistributed & Miscellaneous	41150	7,000	7,000	7,000	7,000	7,000
ALL OTHER REVENUE		$ 26,541,000	$ 26,682,000	$ 27,192,000	$ 27,700,000	$ 28,220,000
TOTAL GENERAL REVENUE		$ 966,181,459	$1,010,718,593	$1,056,195,991	$1,095,664,574	$1,135,146,888

Real Property Revenue

Real estate revenues are broken down into the following categories: general real estate tax, public service tax, real estate tax deferral, land redemption, and real estate penalties.

Real Estate Taxes

The real estate tax is the single largest revenue source for Prince William County, contributing approximately 65.75% of general revenues (FY 2018 forecast). This tax is levied on all land, improvements, and leasehold interests on land or improvements (collectively called "real property") except that which has been legally exempted from taxation by the *Prince William County Code* and the *Code of Virginia*. The revenue summary for the general real estate tax applies only to real property assessed locally, which includes residential, apartments, commercial and industrial, and agricultural and resource land property types. The graph below shows a five-year history of this revenue source and the five-year revenue forecast.



		Actual	% Change
FY 12	$	474,859,163	3.6%
FY 13	$	496,366,393	4.5%
FY 14	$	515,274,429	3.8%
FY 15	$	557,365,283	8.2%
FY 16	$	585,105,402	5.0%
Current Year Adopted	$	604,097,000	3.2%
Current Year Revised	$	605,356,615	3.5%
		Forecast	
FY 18	$	630,011,000	4.1%
FY 19	$	663,715,000	5.3%
FY 20	$	696,418,000	4.9%
FY 21	$	722,065,000	3.7%
FY 22	$	747,818,000	3.6%

Residential Real Estate

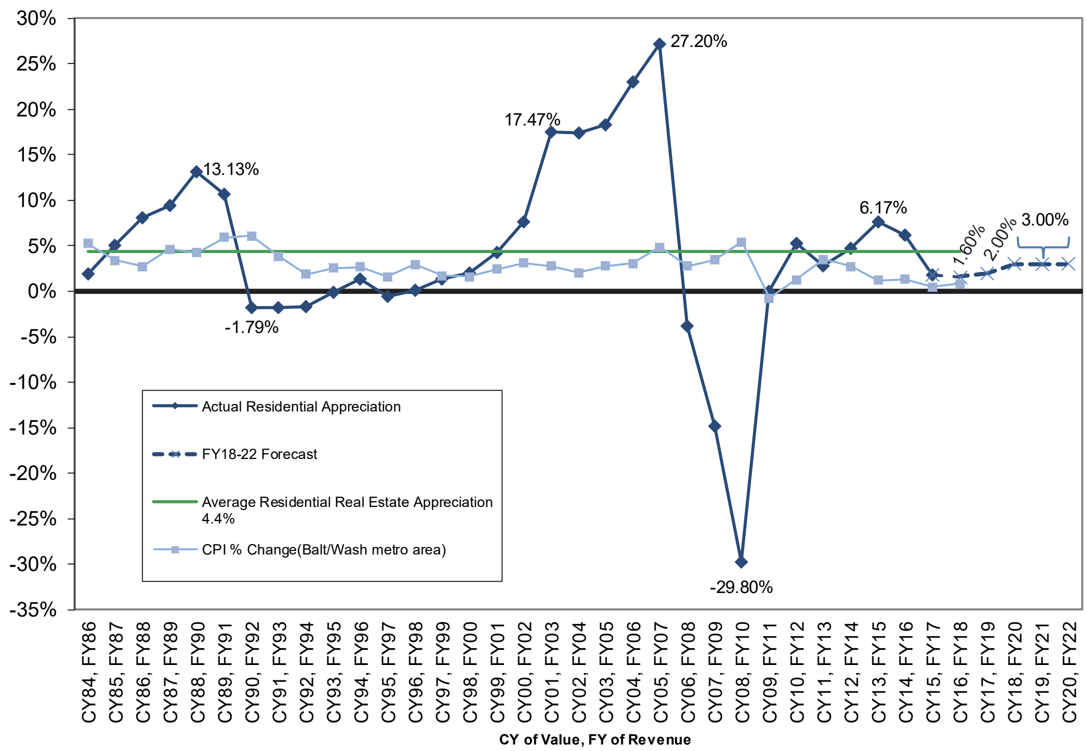
During calendar year 2016 (CY 2016) the residential real estate market continued to appreciate at a slow and steady pace due to the softness of the economy. Positive factors affecting the market were relatively low interest rates and strong sales activity compared to available inventory of homes for sale. Factors such as increasing mortgage rates that contributed to unaffordability and the uncertainties of a presidential election likely negatively impacted the real estate market. Following a 1.8% increase in values in 2015, the average existing home value increased approximately 1.6% in 2016.

In 2016, there were 484 foreclosures of residential properties compared to 527 in 2015, a decrease of 8%. The average number of days on the market declined slightly from 66 days in December 2015 to 58 days in December 2016. Bank owned properties and short sales made up approximately 4% of all sales that transpired in 2016, down from 5% in 2015.

The residential real estate market consists of four property types: single-family homes, townhouses, residential condominiums, and apartments. Duplex units are included within the townhouse category. The apartment category consists of units within rental apartment communities and apartment buildings with five or more units.

Residential Appreciation

The following chart shows a history of actual residential appreciation (excluding rental apartments) from calendar year 1984 through 2016 and the Revenue Committee's estimates for years thereafter.



Expected changes in appreciation for residential and apartment properties during the forecast period are as follows:

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Calendar Year Activity	2016	2017	2018	2019	2020
Landbook Year (real estate)	2017	2018	2019	2020	2021
Appreciation					
Residential	1.6%	2.0%	3.0%	3.0%	3.0%
Apartments	1.0%	2.0%	2.0%	2.0%	2.0%

The strengths of the Washington D.C. Metropolitan area include relatively low unemployment (compared to national and state unemployment rates), high median household incomes and stable job growth expectations.

The residential market is forecast to continue to see slow but steady price improvement over the course of the next twelve to twenty-four months depending on how interest rates and economic uncertainties unfold.

Apartments Market Value Change

Apartments experienced a slight appreciation in value in 2016 at just 1%. There was a very small decrease in base capitalization rates from last year according to the Fourth Quarter 2016 Price Waterhouse Coopers Real Estate Investor Survey. The reason for the practically flat capitalization rate is the relative saturation of the apartment market. The increases that the apartment market has experienced in the net operating incomes stemming from higher rents and stable vacancies in Prince William County have slowed due to the abundance of apartment inventory over the past few years. Appreciation is projected to continue throughout the forecast period at a stable 2%.

Residential New Construction Units

Growth is defined as the change in assessed value due to the subdivision of land and the construction of new residential units. Construction taking place in one calendar year affects real estate revenues two fiscal years later. For example, construction that occurred in calendar year 2016 will be reflected in the County's January 1, 2017, land book which provides the basis for real estate tax revenue received in fiscal year 2018. The table below summarizes the expected number of newly constructed residential units during the forecast period.

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Calendar Year Activity	2016	2017	2018	2019	2020
Landbook Year (real estate)	2017	2018	2019	2020	2021
Residential Units Completed					
Single Family	718	650	650	650	650
Townhouse	362	400	400	400	400
Condominium	402	400	400	400	400
Apartments	296	300	300	300	300

The volume of new home starts is expected to remain at or near current levels. Construction of new apartment units is expected to add nearly 300 units in FY 2018 and remain at that level during the forecast period due to relative saturation of the market.

Residential Values per New Unit

The estimated average assessed value of a new home (all types) constructed during calendar year 2016 was approximately $446,600, a 1.6% decrease over the average assessed value of homes built in 2015. It should be noted that the overall assessed value of a new home is affected by the mix of single family, townhouse, and condominium units constructed in any given year.

The estimated average assessed value of a new single family home was approximately $569,000 in 2016. In 2016, the estimated average assessed value of a new townhouse and condominium unit was approximately $382,200 and $282,800, respectively.

Commercial Real Estate

Calendar year 2016 market activity in Prince William County resulted in commercial properties appreciating approximately 8.5%. Commercial real estate, particularly in terms of vacancy rates, strengthened as the year progressed but continues to be primarily in an absorption phase for office and retail properties. The strongest performing sector was the industrial properties, which showed approximately 14% appreciation.

Commercial appreciation for FY 2018–2022 are forecasted as follows:

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Calendar Year Activity	2016	2017	2018	2019	2020
Landbook Year (real estate)	2017	2018	2019	2020	2021
Commercial	8.5%	2.5%	2.5%	2.5%	2.5%

Average assessed values per square foot for FY 2018 are determined based on the added building value resulting from new construction completed during calendar year 2016.[1] These unit values are then adjusted to reflect the general appreciation of commercial properties during the remainder of the forecast period.

Commercial properties are categorized into five property types: retail, office, hotel, industrial, and special purpose. For FY 2018 (calendar year 2016 market activity), approximately 391,000 square feet of commercial space was added to the assessment rolls.

[1] Note that increases or decreases in dollars per square foot from one year to the next are not indicative of appreciation trends. Unit values are based on the contributory value of the new buildings in a category divided by the added square footage in that category. Building values per square foot vary widely among different building types within each category and the types of new buildings within categories vary from one year to the next.

Retail
New construction in the retail sector accounted for approximately 18% of all commercial/industrial growth during calendar year 2016, adding nearly 70,000 square feet to the tax base. Shopping center capitalization rates decreased slightly in calendar year 2016. Vacancies and rents were also, for the most part, stable.

Industrial
Construction of industrial properties added approximately 41,100 square feet to the commercial/industrial base in 2016. Both rents and occupancy levels of industrial properties increased in 2016.

Hotels
In calendar year 2016, no new hotels were built. Currently, there are two hotels that are under construction with expected completion dates in 2017.

Office Buildings
In calendar year 2016, approximately 5,000 square feet of office space was added in the County. Growth within the office sector is expected to be sustained only at a low rate during the forecast period since there is an inventory overhang and accordingly very few projects in the pipeline. Industry experts also point to a growing trend of telecommuting, office hoteling and reduced employee workspace as a factor that will continue to stifle office building construction.

Miscellaneous
In 2016, there was a 126,000 square foot assisted living facility completed.

Special Use
Properties within the special use category comprise taxable schools, healthcare facilities, and other types of properties that have no foreseeable alternate uses. There was a 148,500 square foot data center building added in 2016 with the expectation of another half a million square feet to be completed in calendar year 2017.

Real Estate Exonerations

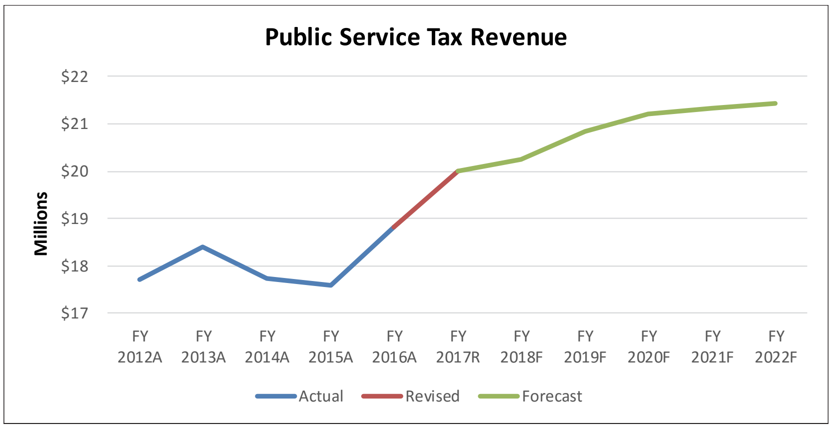
Estimated real estate tax exonerations are deducted from the gross local real estate tax revenue to arrive at the net local real estate tax revenue.

Exonerations are decreases in revenue due to assessment reductions, changes in tax liability, or tax relief programs. Assessment reductions are typically caused by appeals of assessed values. Changes in tax liability occur when a property changes from a taxable to a tax-exempt status. Taxes are also exonerated for properties whose owners qualify for the Tax Relief Program for the Elderly and Disabled or the Tax Relief Program for Disabled Veterans and Surviving Spouses.

Public Service Taxes

Public service taxes are levied on non-locally assessed properties. The State Corporation Commission (SCC) assesses all telecommunications companies, water companies, intrastate pipeline distribution companies, and electric light and power companies. The Virginia Department of Taxation assesses railroads and interstate pipeline transmission companies.

Historically, the majority of changes within the public service classification have been attributable to new construction growth. Public service market values are not subject to the same market changes as other real estate properties.



	Actual
FY 12	$ 17,703,648
FY 13	$ 18,400,696
FY 14	$ 17,737,605
FY 15	$ 17,589,241
FY 16	$ 18,830,860
Current Year Adopted	$ 19,019,169
Current Year Revised	$ 19,998,125
	Forecast
FY 18	$ 20,255,359
FY 19	$ 20,839,793
FY 20	$ 21,213,491
FY 21	$ 21,332,874
FY 22	$ 21,433,788

Real Estate Tax Deferrals

If unpaid real estate taxes at the end of a fiscal year are less than at the beginning of that fiscal year, the amount of the reduction is recorded as revenue in real estate tax deferrals.

If unpaid real estate taxes at the end of a fiscal year are more than at the beginning of that fiscal year, the amount of the increase is recorded as negative revenue in real estate tax deferrals. Real estate taxes collected after becoming more than three years' delinquent are accounted for as land redemption revenue.

The revenue forecast is made by estimating collections of unpaid taxes up to five years' delinquent. This revenue category varies depending on the amount of unpaid taxes at the end of one year compared to the previous year due to 1) voluntary payment of taxes, 2) County resources allocated to collection efforts, and 3) the success of those collection efforts[2].

[2] The BOCS has continued to support this initiative and at the end of FY 2016, the percentage of unpaid property taxes was 1.2%.

Land Redemption

Land redemption is the recognition of real estate taxes collected after being more than three years' delinquent. The *Code of Virginia* allows Prince William County to pursue the collection of delinquent real estate taxes for twenty years. This revenue category varies depending on the amount of unpaid taxes three years and older, and the level of success in collecting these past due amounts. The forecast estimates approximately 20% to 25% of the prior year's unpaid land redemption taxes will be collected annually. A variety of methods are used to enforce the collection of back taxes, including filing suit to force the sale of the property for unpaid taxes. Unpaid land redemption taxes, as of June 30, 2016, were $1,382,456.

Real Estate Penalties

Prince William County assesses a 10% penalty on the late payment of real estate taxes on the unpaid original tax balance. Interest at the rate of 10% per annum is added to any unpaid balance beginning on the first day of the month following the original due date. Revenue from real estate penalties is estimated by applying a fixed percentage (approximately 0.23%) to the real estate revenue forecast excluding public service properties.

	Actual	% Change
FY 12	$ 1,265,550	-7.3%
FY 13	$ 1,261,388	-0.3%
FY 14	$ 1,199,280	-4.9%
FY 15	$ 1,252,000	4.4%
FY 16	$ 1,245,234	-0.5%
Current Year Adopted	$ 1,532,000	23.0%
Current Year Revised	$ 1,353,000	8.7%
	Forecast	
FY 18	$ 1,449,000	7.1%
FY 19	$ 1,527,000	5.4%
FY 20	$ 1,602,000	4.9%
FY 21	$ 1,661,000	3.7%
FY 22	$ 1,720,000	3.6%

Interest on Taxes

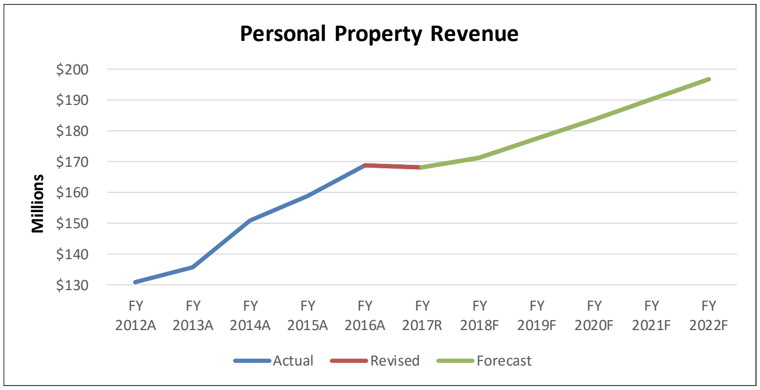
Delinquent personal property and real estate tax accounts incur interest at 10% of the unpaid amount the first year. Subsequent years are incurred at 10% or the Internal Revenue Service (IRS) delinquent tax rate, whichever is greater.

The revenue estimate is computed by multiplying a fixed percentage of 0.19% by the combined estimate for gross current year real property tax revenue (excluding public service revenue) and personal property tax revenue. Interest on tax revenue is projected to increase in FY 2018 due to an increase in real and personal property tax revenue.

	Actual	% Change
FY 12	$ 1,194,874	-6.1%
FY 13	$ 1,190,891	-0.3%
FY 14	$ 1,161,413	-2.5%
FY 15	$ 1,436,749	23.7%
FY 16	$ 1,366,271	-4.9%
Current Year Adopted	$ 1,431,000	4.7%
Current Year Revised	$ 1,431,000	4.7%
	Forecast	
FY 18	$ 1,492,000	4.3%
FY 19	$ 1,566,000	5.0%
FY 20	$ 1,638,000	4.6%
FY 21	$ 1,698,000	3.7%
FY 22	$ 1,758,000	3.5%

Personal Property Revenue

The personal property tax is assessed on vehicles, mobile homes, and business tangible property. Approximately 80% of personal property tax revenue is derived from vehicles, trailers, and mobile homes. The remaining 20% is derived from business tangible property.



	Actual	% Change
FY 12	$ 131,167,427	2.5%
FY 13	$ 135,784,664	3.5%
FY 14	$ 150,835,836	11.1%
FY 15	$ 158,750,155	5.2%
FY 16	$ 168,957,847	6.4%
Current Year Adopted	$ 164,900,000	-2.4%
Current Year Revised	$ 168,200,000	-0.4%
Forecast		
FY 18	$ 171,500,000	2.0%
FY 19	$ 177,600,000	3.6%
FY 20	$ 183,800,000	3.5%
FY 21	$ 190,200,000	3.5%
FY 22	$ 196,800,000	3.5%

The County has effectively exempted the personal property tax on several classifications of personal property by adopting a tax rate of 0.001%. These classifications include farm equipment, vanpool vans, aircraft, boats, motor homes, camping trailers, horse trailers, and one vehicle owned by qualifying senior citizens and disabled persons or used by a volunteer and auxiliary fire and rescue company member who regularly responds to calls or performs other duties for a volunteer fire company. Other personal property is exempt by federal or state law, or has been granted a local property exemption. These classifications include personal property used exclusively by churches, personal property owned by federal, state or local governments, the personal property of non-profit organizations specifically enumerated in state law, and the personal property of not-for-profits granted property tax exemption by either the Virginia General Assembly or the Board of County Supervisors. Rental vehicles, rental equipment, and the personal property of banks and insurance companies is also exempt because these organizations pay an alternative tax.

Car Tax Relief

The County receives a fixed amount of $54.3 million each year as reimbursement from the Commonwealth pursuant to §58.1-3524 of the *Code of Virginia* for providing tangible personal property tax relief on qualifying vehicles. This amount is included in the personal property revenue estimate for each year. The County has opted to allocate its reimbursement amount from the Commonwealth on a per vehicle basis. The amount of tax relief allocated to each vehicle changes from year-to-year based on the number and value of qualifying vehicles. For tax year 2017 (FY 2018), the reduction in the property tax on qualifying vehicles is equal to 48.5% of the tax on the first $20,000 of assessed value. The reduction in the property tax was equal to 100% of the tax for qualifying vehicles assessed at $1,000 or less.

Personal Property Tax Estimate on Vehicles

Personal property tax revenue from vehicles is estimated based on the percentage change in average assessed value per vehicle and the percentage change in the number of units billed. The assessed value of taxable vehicles is obtained from standard pricing guides in accordance with State law. Prince William County uses the clean trade-in values published in the National Automobile Dealers Association (NADA) value guide which covers most vehicles. Vehicles older than years covered in the guidebook are based on a percentage of cost, depreciated by 10% for each subsequent year, or are set at a minimum value based on the model year depending on the information available. Vehicles newer than years covered in the guidebook are based on a percentage of cost. Trailers are assessed based on a percentage of cost.

Revenue Year	Assessed Value Avg. Value	Assessed Value % Change	Billable Units % Change
FY 18	$ 10,593	-1.00%	2.14%
FY 19	$ 10,781	1.78%	2.10%
FY 20	$ 10,972	1.78%	2.05%
FY 21	$ 11,167	1.78%	2.01%
FY 22	$ 11,366	1.78%	1.97%

The per-unit average value is expected to decrease slightly from FY 2017 to FY 2018 based on information received from NADA. Generally, vehicles depreciate from year-to-year but the average includes both vehicles sold or moved out and new vehicles moving in. Therefore, in many years the average increases. For FY 2018 the industry used car index value has started to fall thus the average value in Prince William County is also expected to fall slightly. The forecast for FY 2019 through FY 2022 is for the average vehicle value to increase at the historical average increase of 1.78%.

The FY 2018 forecast assumes a 2% increase in the number of vehicle units billed. The FY 2019 to FY 2022 growth rate is forecast to also increase 2%, equivalent to the historical average. Growth in the number of vehicle units is a result of population and business growth.

Personal Property Tax Estimate on Business Tangible Property

The business portion of the personal property tax is levied on all general office furniture and equipment, machinery and tools, equipment used for research and development, heavy construction equipment, and computer equipment and peripherals located in Prince William County as of January 1st of each year. Each business is required to file a return annually declaring the item, its original cost, and year of purchase. Therefore, the assessed value is determined from its original cost, year of purchase, and use of the equipment.

General business equipment and heavy equipment account for 64% and 6% of taxes on business equipment, respectively. Taxes on computer equipment and peripherals comprise 29% and taxes from machinery and tools account for the remaining 1%.

Taxes from business tangible property are expected to increase 2% in fiscal year 2018, followed by modest 2% increases for the remainder of the five-year plan. There is some evidence that the economy and the economic condition of local businesses has stabilized. Businesses may not be replacing equipment or adding significant amounts of new equipment, but there has been an upward trend in recent years.

Personal Property Prior Year

This account is used to record changes to prior year personal property taxes as a result of changes in estimated allowance for uncollectible taxes. These revenues are less than $50,000 a year, and are therefore not addressed in detail as are the other major revenue sources.

Personal Property Deferrals

If unpaid personal property taxes at the end of a fiscal year are less than at the beginning of that fiscal year, the amount of the reduction is recorded as revenue in personal property tax deferrals. If unpaid personal property taxes at the end of a fiscal year are more than at the beginning of that fiscal year, the amount of the increase is recorded as negative revenue in personal property tax deferrals.

The revenue forecast is made by estimating collections of unpaid taxes up to five years' delinquent. This revenue category varies depending on the amount of unpaid taxes at the end of one year compared to the previous year due to: 1) voluntary payment of taxes, 2) County resources allocated to collection efforts, and 3) the success of those collection efforts[3].

Personal Property Penalties - Current Year

Prince William County assesses a 10% penalty on the late payment of personal property taxes. The 10% personal property penalty on late payments applies only to the local share of the delinquency. The penalty is not applied to the portion paid by the Commonwealth through the Personal Property Tax Relief Act (PPTRA).

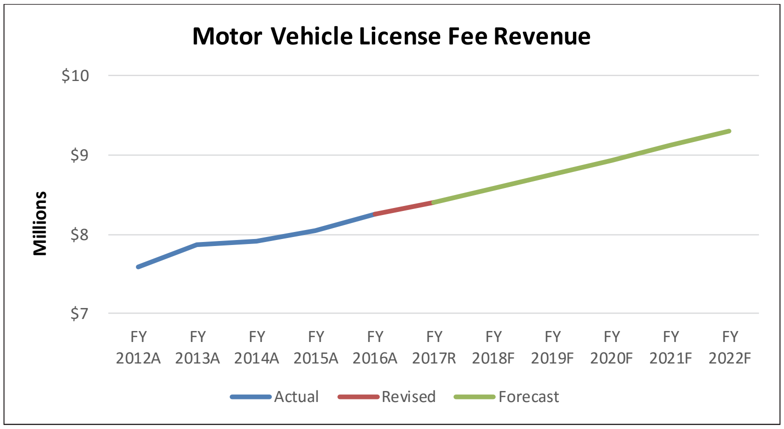
Personal property penalty revenue is projected to increase in each year of the FY 2018–2022 forecast period due to the increase in the estimate of personal property taxes billed each year.

Motor Vehicle License Fee

Section 46.2-752 of the *Code of Virginia,* authorizes the County to levy a vehicle license fee. The amount of the license fee cannot be greater than the annual or one-year fee imposed by the Commonwealth on motor vehicles. The adopted, local fee is $24 per year

[3] The BOCS has continued to support this initiative and at the end of FY 2016, the percentage of unpaid property taxes was 1.2%.

for each passenger car and truck normally garaged or parked in the County. The adopted fee per year for each motorcycle is $12. The license fee revenue forecast is derived by multiplying the license fee by the estimated billable units in the County.

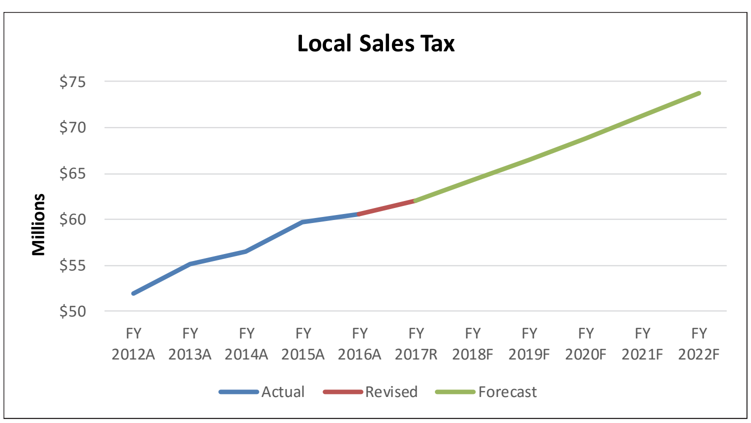


	Actual	% Change
FY 12	$ 7,591,084	1.2%
FY 13	$ 7,876,682	3.8%
FY 14	$ 7,907,376	0.4%
FY 15	$ 8,052,600	1.8%
FY 16	$ 8,260,395	2.6%
Current Year Adopted	$ 8,460,000	2.4%
Current Year Revised	$ 8,400,000	1.7%
	Forecast	
FY 18	$ 8,580,000	2.1%
FY 19	$ 8,760,000	2.1%
FY 20	$ 8,940,000	2.1%
FY 21	$ 9,120,000	2.0%
FY 22	$ 9,300,000	2.0%

Local Sales Tax Revenue

Prince William County, by adopted ordinance, has elected to levy a 1% general retail sales tax. This tax is levied on the retail sale or rental of tangible property, excluding motor vehicle sales and trailers, vehicle rentals, boat sales, gasoline sales, natural gas, electricity, and water, and the purchases by organizations that have received tax exempt status. Sales tax revenue is collected by the Virginia Department of Taxation, and is distributed to the County monthly. There is a two-month lag between the date of sale and the actual receipt of funds by the County.

The four incorporated towns within Prince William County (Dumfries, Haymarket, Occoquan, and Quantico) share in the local sales tax based on the ratio of school age population in the towns to the school age population of the entire County according to the latest state-wide school census. Therefore, the County realizes approximately 99% of the monthly sales taxes collected.



	Actual	% Change
FY 12	$ 52,002,967	4.9%
FY 13	$ 55,169,386	6.1%
FY 14	$ 56,510,664	2.4%
FY 15	$ 59,708,982	5.7%
FY 16	$ 60,550,579	1.4%
Current Year Adopted	$ 62,088,000	2.5%
Current Year Revised	$ 62,088,000	2.5%
	Forecast	
FY 18	$ 64,260,000	3.5%
FY 19	$ 66,510,000	3.5%
FY 20	$ 68,840,000	3.5%
FY 21	$ 71,250,000	3.5%
FY 22	$ 73,740,000	3.5%

Retail activity, as reflected by sales tax revenue, increased 1.4% in FY 2016, albeit at a lower rate of growth than the 3% forecast. In December 2016 (FY 2017), a total of $5.3 million sales tax revenue was reported, a monthly year-over-year increase of 8.3%. Sales tax revenue is up 4.6% through December, ahead of the current annual forecast of 3.0% growth. The new projection is for a 3.5% annual increase in the County's sales tax revenue for FY 2018 through FY 2022.

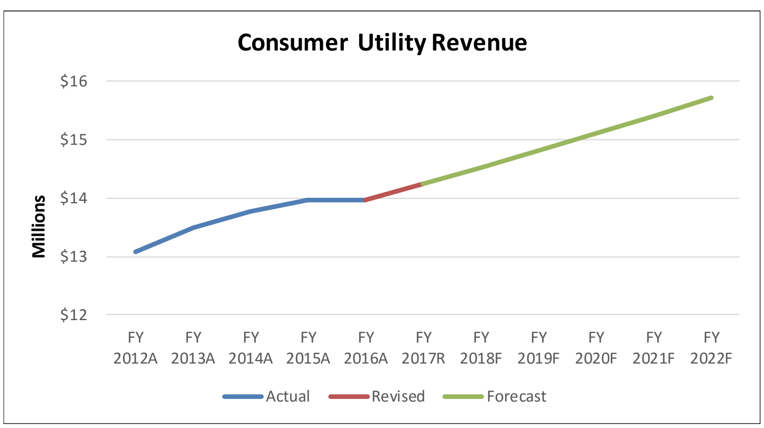
The factors believed to have contributed to the County's sales tax revenue increase are:

- an improving local economy;
- two-year growth in the number of retail establishments;
- a high level of household income in the County - 2015 median household income was $99,766;
- improving employment and increased consumer confidence; and
- continued population growth.

Consumer Utility Revenue

Prince William County levies a consumer utility tax on electric and natural gas utilities. The County does not tax water and sewer services. Effective January 1, 2001, the *Code of Virginia*[4] required Prince William County to convert its existing tax on purchasers of natural gas and electricity from a dollar-based tax to a consumption-based tax.

Since consumer utility taxes are capped, inflation and utility rate increases are not a factor in the five-year forecast. The FY 2018–2022 forecast reflects a modest increase in new, residential housing units.



		Actual	% Change
FY 12	$	13,075,017	-0.9%
FY 13	$	13,489,925	3.2%
FY 14	$	13,765,596	2.0%
FY 15	$	13,974,213	1.5%
FY 16	$	13,976,627	0.0%
Current Year Adopted	$	14,240,000	1.9%
Current Year Revised	$	14,240,000	1.9%
		Forecast	
FY 18	$	14,520,000	2.0%
FY 19	$	14,810,000	2.0%
FY 20	$	15,110,000	2.0%
FY 21	$	15,410,000	2.0%
FY 22	$	15,720,000	2.0%

The levy for *electricity*[5] consumption based on kilowatt hours (kWh) is:
Residential users: $1.40 minimum billing charge plus the rate of $0.01509 on each kWh delivered monthly by a service provider not to exceed $3.00 per month.

[4] *Code of Virginia* §58.1-3814
[5] Prince William County, VA-*Code of Ordinances* Sec. 26-111

Commercial users: $2.29 minimum billing charge plus the rate of $0.013487 on each kWh delivered monthly to commercial consumers, not to exceed $100.00 monthly.

The levy for *natural gas*[6] consumption based on 100 units of cubic feet (CCF) is:
Residential consumers: $1.60 minimum billing charge plus the rate of $0.06 on each CCF delivered monthly to residential consumers, not to exceed $3.00 per month.
Commercial consumers: $3.35 minimum billing charge plus the rate of $0.085 on each CCF delivered monthly to commercial consumers, not to exceed $100.00 monthly.

The chart shows the five-year history of electric and gas utility revenue in Prince William County.

Revenue	Utilities	
Year	Electric	Gas
FY 12	-0.84%	-0.88%
FY 13	2.74%	4.18%
FY 14	1.84%	2.54%
FY 15	1.75%	0.94%
FY 16	0.66%	-1.56%

Communications Sales and Use Tax Revenue

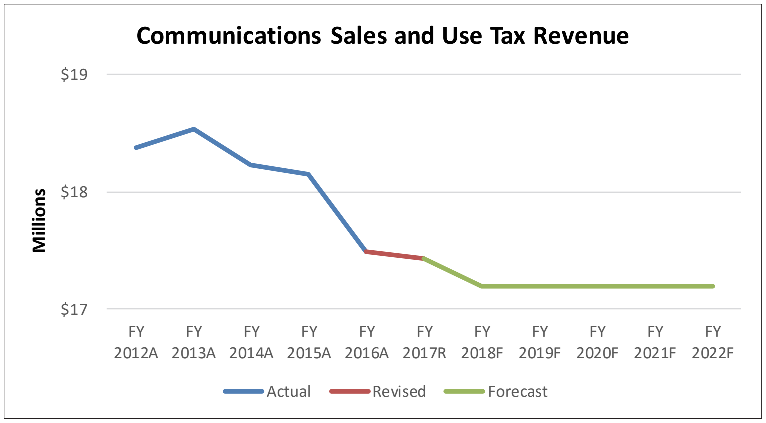
Under legislation enacted by the 2006 General Assembly, House Bill 568, the Virginia communications sales and use tax, also referred to as the communications sales tax, replaced most of the previous state and local taxes and fees on communications services, effective on January 1, 2007.

The communications sales tax, imposed on the charge for sale of communications services at the rate of 5%, is generally collected from consumers by their service providers and remitted to the Virginia Department of Taxation each month on the following services:

- Landline Telephone
- Wireless Telephone
- Cable Television
- Satellite Television
- Paging
- Voice Over Internet Protocol

As enumerated in Section 58.1-662 of the *Code of Virginia*, the communications sales and use tax revenue will be distributed to localities according to the percentage of telecommunications and cable television tax revenue each locality received relative to the statewide total. The County's current allocation is 4.63% of the statewide telecommunications sales and use tax.

[6] Prince William County, VA-*Code of Ordinances* Sec. 26-112



		Actual	% Change
FY 12	$	18,377,146	-2.7%
FY 13	$	18,536,004	0.9%
FY 14	$	18,229,981	-1.7%
FY 15	$	18,146,347	-0.5%
FY 16	$	17,490,453	-3.6%
Current Year Adopted	$	17,430,000	-0.3%
Current Year Revised	$	17,430,000	-0.3%
		Forecast	
FY 18	$	17,200,000	-1.3%
FY 19	$	17,200,000	0.0%
FY 20	$	17,200,000	0.0%
FY 21	$	17,200,000	0.0%
FY 22	$	17,200,000	0.0%

Despite housing growth, this revenue source continues to decline as landline usage decreases. Preliminary results from the July-December 2016 National Health Interview Survey (NHIS) indicate that the number of American homes with only wireless telephones continues to grow. Nearly one-half of American homes (50.8%) had only wireless telephones – an increase of 2.5% since the second half of 2015. This revenue source is projected to decline in FY 2018 as uncertainty exists as to when this revenue source will level out.

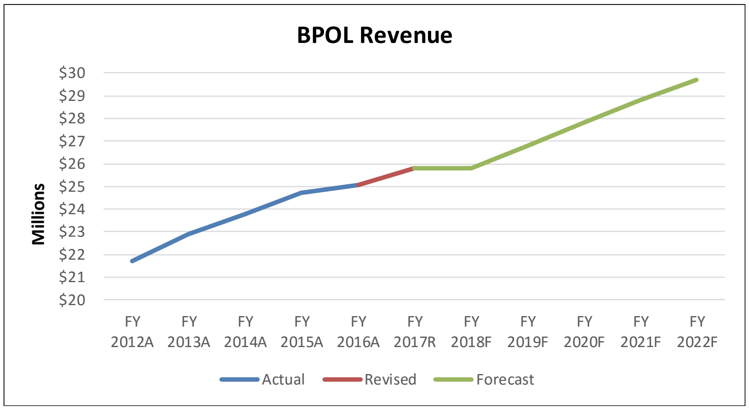
BPOL Revenue

The Business, Professional, and Occupational License (BPOL) tax is imposed on commercial and home occupational businesses operating in Prince William County. The County has adopted a multiple tax rate schedule according to the type of business activity subject to the tax. The BPOL tax is currently levied on[7]:

- County businesses with annual gross receipts (from the prior calendar year) greater than $350,000;
- New businesses in the County based on an estimate if gross receipts are greater than $350,000 for the current year; and
- Building contractors located outside the County but performing work within the boundaries of Prince William County when the amount of work in the County exceeds the $350,000 threshold.

[7] On November 22, 2011, the BOCS amended Prince William County, VA-Code of Ordinances Sec. 11.1-17 to increase the gross receipts threshold for business from $100,000 to $200,000. On October 2, 2012, the BOCS amended the Prince William County, VA-Code of Ordinances Sec. 11.1-17 to increase the gross receipts threshold from $200,000 to $250,000. On November 17, 2015, the BOCS amended the Prince William County, VA-Code of Ordinances Sec. 11.1-17 to increase the gross receipts threshold from $250,000 to $300,000 (FY16); $300,000 to $350,000 (FY17); $350,000 to $400,000 (FY18); $400,000 to $450,000 (FY19); and $450,000 to $500,000 (FY20 and thereafter).

The basis for the FY 2018 BPOL tax revenue is business gross receipts from calendar year 2017. The forecast model assumes that BPOL will change at an average close to growth plus inflation for all business classes. This amount is expected to be approximately 3% in each year, marginally higher than the actual for FY 2016 and the estimate for FY 2017.



		Actual	% Change
FY 12	$	21,724,838	3.62%
FY 13	$	22,913,378	5.47%
FY 14	$	23,772,169	3.75%
FY 15	$	24,744,036	4.09%
FY16	$	25,065,213	1.30%
Current Year Adopted	$	26,051,000	3.93%
Current Year Revised	$	25,400,000	1.34%
		Forecast	
FY 18	$	26,200,000	3.1%
FY 19	$	27,000,000	3.1%
FY 20	$	27,800,000	3.0%
FY 21	$	28,800,000	3.6%
FY 22	$	29,700,000	3.1%

An average for all business classifications is used because it is difficult to project a change in any one classification and difficult to predict changes across years. Even retail, which most would think to be somewhat stable, has variability that does not track national or regional economic indicators. On April 19, 2017, the Board of County Supervisors directed staff to prepare an amendment to the BPOL Ordinance to change the gross receipts threshold from $350,000 to $500,000 to further support small business development within the County. The forecast model assumes the acceleration of the BPOL gross receipts threshold to $500,000 for FY 2018 and beyond.

Approximately 97% of FY 2016 BPOL revenue was generated by four sectors of the County's local economy: retail (50%), building construction (15%), business services (19%), and professional services (13%).

Investment Income

Investment income represents interest receipts, interest accrual, and gains or losses from the sale of investments for Prince William County's share of earnings on the "general" cash investment portfolio. The general portfolio consists of those funds that are not restricted such as the proceeds of bond issues that have strict requirements as to how they are spent and invested. The general fund available cash constitutes 55 to 58 percent of the total pooled investments. All funds are invested in accordance with the *Code of Virginia* and the Board adopted Investment Policy that sets the County's investment guidelines based on the core principles of legality, safety, liquidity, and yield.

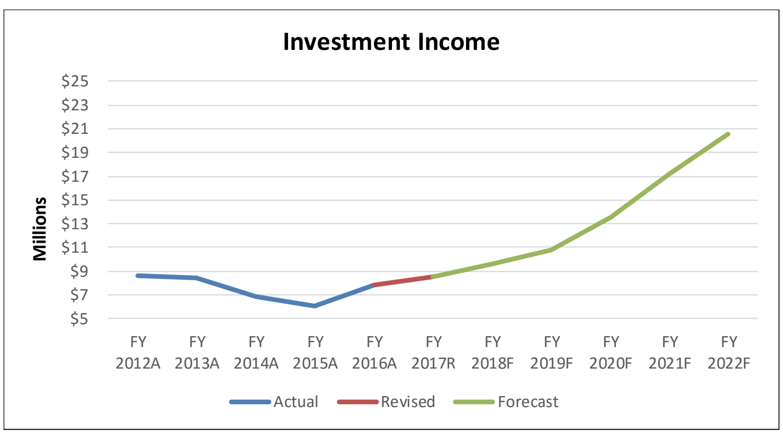
Prince William County's investment strategy addresses these guidelines by investing in a diversified portfolio with specific security types, financial institutions, and maintaining sufficient liquidity to meet anticipated operating requirements. In addition, the County seeks to match its cash flow needs to the overall maturity structure of the portfolio in order to maximize yield.

To forecast investment income, the average portfolio yield and portfolio value are projected to determine the current or estimated future year's investment revenue. The general fund share is calculated based on the prior year actual share of cash balances available to invest.

The average total dollar value of the portfolio is affected by the increase in County revenues and fund balance. Therefore, the revenue forecast itself becomes a key determinate of interest income. The table on the right shows the forecasted growth in the portfolio. Increases in portfolio size typically come from additions to fund balance/year-end savings as well as a portion of annual revenue growth.

Projected Portfolio Value (in 000s)		
FY 18	$	1,030,000
FY 19	$	1,061,000
FY 20	$	1,090,000
FY 21	$	1,125,000
FY 22	$	1,150,000

Prince William County's portfolio earnings yield is broadly correlated to the Federal Funds Rate. The Federal Open Market Committee (FOMC) reduced the target Federal Funds rate to a range of between 0.00% and 0.25% in December of 2008 and maintained that record low target until December 2015. At the December 16, 2015, meeting, the committee raised interest rates by 0.25%, and a year later the FOMC again increased the target rate by 0.25%. As of this writing, the target rate is 0.50% to 0.75% and additional rate increases are expected during calendar year 2017. Consequently, it is expected that short-term interest rates will likely trend modestly higher over the next year.



		Actual	% Change
FY 12	$	8,601,580	-25.3%
FY 13	$	8,388,449	-2.5%
FY 14	$	6,834,816	-18.5%
FY 15	$	6,036,382	-11.7%
FY16	$	7,832,996	29.8%
Current Year Adopted	$	7,297,000	-6.8%
Current Year Revised	$	8,498,000	8.5%
		Forecast	
FY 18	$	9,628,000	13.3%
FY 19	$	10,819,000	12.4%
FY 20	$	13,585,000	25.6%
FY 21	$	17,207,000	26.7%
FY 22	$	20,556,000	19.5%

The Federal Funds Rate trend is a significant driver for the average yield of Prince William County's portfolio. Additionally, the timing of security purchases, cash flow requirements, interest rate environment at the time securities are purchased, and the duration of securities are all major factors affecting the portfolio's yield.

Most forecasting sources provide interest rate projections up to four quarters beyond current dates. Therefore, estimates after the final half of FY 2018 are made without authoritative source data as a basis for the projections. In this environment, short term interest rates should begin to trend higher for the near term, however, the expected slow pace at which the Federal Reserve takes further action (tightening) should have little adverse impact on the economy given the historically low starting point of this trend change.

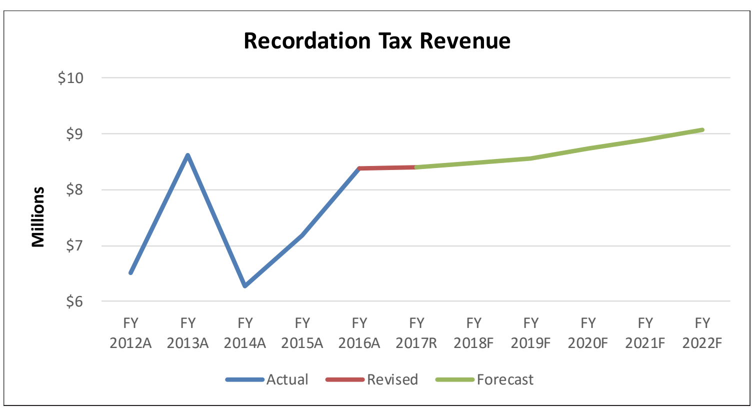
All Other Revenue Sources

Recordation Tax

A recordation tax is levied when a legal instrument regarding real property such as a deed or deed of trust is recorded with the Clerk of the Circuit Court. This tax is charged for transfers in ownership of property, deeds of trust, and mortgage refinancing.

On April 28, 2004, the Commonwealth of Virginia increased the State recordation tax rate from $0.15 per $100 of value to $0.25 per $100 of value effective September 1, 2004 (FY 2005). Section 58.1-814 of the *Code of Virginia* grants Prince William County the authority to levy an optional, local recordation tax rate equal to one-third of the State recordation tax rate. Therefore, the local recordation tax rate increased from $0.05 per $100 of value to $0.083 per $100 of value. The forecast reflects only Prince William County's share of recordation tax revenue and does not include the state portion of recordation revenue.

Recordation tax revenue is driven by home sale activity and price appreciation as well as refinance activity. The FY 2017 forecast was revised upward during the second quarter as results from calendar year 2016 depicted increased sales as well as modest increases in sales price.



		Actual	% Change
FY 12	$	6,508,666	8.1%
FY 13	$	8,617,265	32.4%
FY 14	$	6,273,132	-27.2%
FY 15	$	7,174,961	14.4%
FY 16	$	8,383,183	16.8%
Current Year Adopted	$	7,340,000	-12.4%
Current Year Revised	$	8,400,000	0.2%
		Forecast	
FY 18	$	8,480,000	1.0%
FY 19	$	8,560,000	0.9%
FY 20	$	8,730,000	2.0%
FY 21	$	8,900,000	1.9%
FY 22	$	9,080,000	2.0%

The FY 2018 forecast reflects the belief that sales prices are moving to a more historically normal rate of appreciation. However, home sales activity continues to be limited by low inventory contributing to a conservative projection of revenue in the five-year forecast.

On October 26, 2004, the Board of County Supervisors adopted Resolution No. 04-1034, which earmarks a portion of recordation tax revenues for transportation purposes in the County. Beginning in FY 2006, recordation tax revenues generated by the rate increase of $0.033 plus a portion of recordation tax revenues generated from the base rate of

$0.05 will be used to improve County roads. The remaining amount of recordation tax revenue is retained by the County government as general revenue. The table below identifies the portion of recordation tax revenues designated for transportation and general revenue use in each year of the forecast.

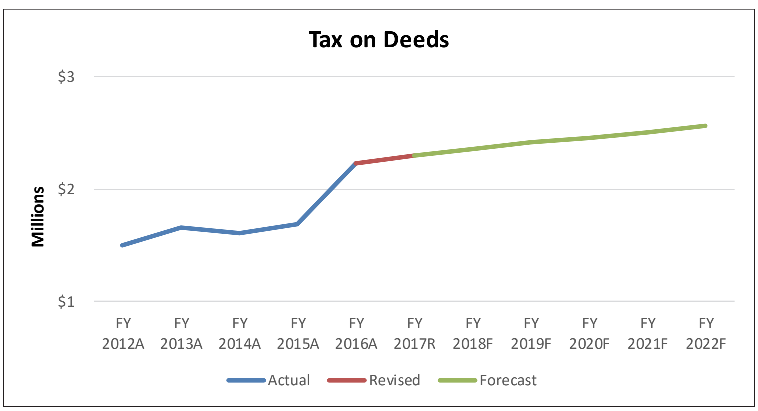
	General Revenue	Transportation	TOTAL
FY 18	$ 2,190,000	$ 6,290,000	$ 8,480,000
FY 19	$ 2,210,000	$ 6,350,000	$ 8,560,000
FY 20	$ 2,250,000	$ 6,480,000	$ 8,730,000
FY 21	$ 2,290,000	$ 6,610,000	$ 8,900,000
FY 22	$ 2,340,000	$ 6,740,000	$ 9,080,000

Tax on Deeds

The tax on deeds is imposed when real estate deeds of conveyance (not deeds of trust) are recorded with the Clerk of the Circuit Court. It is important to note that the tax on deeds is not levied on mortgage refinancing. The tax on deeds is levied when:

- property ownership changes;
- property ownership is conveyed in any manner; or
- a legal instrument is recorded with a transfer amount.

The tax on deeds rate is $1.00 per $1,000 of value. The State and locality each receive half of the revenue generated by this tax (equal to $0.50 per $1,000 of value). The revenue forecast reflects only Prince William County's share of revenues.



	Actual	% Change
FY 12	$ 1,505,522	-2.3%
FY 13	$ 1,659,764	10.2%
FY 14	$ 1,605,397	-3.3%
FY 15	$ 1,693,083	5.5%
FY 16	$ 2,229,997	31.7%
Current Year Adopted	$ 1,730,000	-22.4%
Current Year Revised	$ 2,300,000	3.1%
	Forecast	
FY 18	$ 2,360,000	2.6%
FY 19	$ 2,420,000	2.5%
FY 20	$ 2,460,000	1.7%
FY 21	$ 2,510,000	2.0%
FY 22	$ 2,560,000	2.0%

Similar to the recordation tax, the FY 2018 forecast represents a slight increase over the revised FY 2017 estimate as sales volume is driven more by price appreciation and less by sales activity providing a conservative projection of revenue in the five-year forecast.

Listed below are additional general revenue sources estimated to be less than $5 million each. The forecast and a description of each revenue source follows:

	REVENUE SOURCE	FY 16 ACTUAL	FY 17 Revised	FY 18 Forecast	FY 19 Forecast	FY 20 Forecast	FY 21 Forecast	FY 22 Forecast
0215	DAILY RENTAL EQUIPMENT TAX	$ 285,013	$ 441,000	$ 194,000	$ 198,000	$ 202,000	$ 206,000	$ 210,000
0230	BANK FRANCHISE TAX	1,709,169	1,500,000	1,500,000	1,200,000	1,200,000	1,200,000	1,200,000
0236	BPOL TAXES - PUBLIC SERVICE	1,356,486	1,518,000	1,518,000	1,533,000	1,548,000	1,563,000	1,579,000
0270	TRANSIENT OCCUPANCY TAX	1,488,264	1,400,000	1,400,000	1,428,000	1,457,000	1,486,000	1,516,000
0520	INTEREST PAID TO VENDORS	(96,181)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
0521	INTEREST PAID ON REFUNDS	(165,733)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)
1150	UNDISTRIBUTED & MISCELLANEOUS	42	7,000	7,000	7,000	7,000	7,000	7,000
1303	ROLLING STOCK TAX	90,566	129,000	90,000	90,000	90,000	90,000	90,000
1304	PASSENGER CAR RENTAL TAX	1,008,105	990,000	970,000	970,000	970,000	970,000	970,000
1305	MANUFACTURED HOME TITLING TAX	51,602	35,000	35,000	35,000	35,000	35,000	35,000
1700	FED PAYMENT IN LIEU OF TAXES	75,390	70,000	70,000	70,000	70,000	70,000	70,000
	TOTAL MISCELLANEOUS REVENUE	$ 5,802,723	$ 5,935,000	$ 5,629,000	$ 5,376,000	$ 5,424,000	$ 5,472,000	$ 5,522,000

Daily Rental Equipment Tax

The County levies a daily rental equipment tax of 1% on certified short-term rental businesses. The tax applies to businesses that rent items held by users for less than 91 consecutive days. Examples of such businesses include bowling alleys, hardware stores, and equipment rental stores. These businesses are required to collect 1% of the daily rent and remit it to the County quarterly.

Bank Franchise Tax

The County levies a bank franchise tax on the net capital of each bank, banking association, savings bank, or trust company that operates in the County. The tax is based on 0.8% of the net capital multiplied by the percentage of deposits on hand at that branch compared to its statewide deposits.

BPOL Taxes - Public Service

The Business, Professional, and Occupational License (BPOL) tax is imposed on public utility companies that operate in the County. The tax of $0.29/$100 of assessed value was identical to the County’s BPOL tax on other businesses, but was authorized under separate statute. The Commonwealth repealed the tax for electric companies and replaced it with the Corporate Net Income Tax and the declining Consumption Tax. The State set the latter at a maximum of $0.50/$100 of assessed value. If a locality’s rate is below the maximum, the State receives the difference. Therefore, the Board of County Supervisors increased this tax only for electric companies from $0.29/$100 of assessed value to $0.50/$100 of assessed value effective January 1, 2001.

Transient Occupancy Tax

The County levies a transient occupancy tax of 5% of the amount charged for the occupancy of hotels, motels, boarding houses, travel campgrounds and other facilities offering guest rooms rented out for continuous occupancy for fewer than 30 consecutive days. This tax does not apply to miscellaneous charges such as in-room telephone usage, movie rentals, etc. The tax is remitted directly to the County on a monthly basis. The general revenue share of this tax is 40% and the remaining 60% is budgeted for tourism-related purposes such as the Convention & Visitors Bureau (CVB). Appropriation by the Board of County Supervisors is based on budgetary requirements requested by the CVB. The transient occupancy tax forecast is based on number of hotel rooms in the County, occupancy rates, and room rates.

Interest Paid to Vendors

When a vendor with whom the County does business overpays for any reason, or when a performance bond is repaid to a developer, the refunded amount includes interest. This interest is recorded as negative revenue.

Interest Paid on Refunds

The County must pay interest on taxpayer refunds based on delinquent taxes that were erroneously assessed. This interest is recorded as negative revenue.

Rolling Stock Tax

The rolling stock of railroads and freight car companies doing business in the Commonwealth is taxed at the rate of $1.00 on each $100 of assessed value. This tax is levied in lieu of the personal property tax. Revenues are distributed to counties, cities, and incorporated towns based on: (i) the percentage of track miles located in the locality versus the State-wide total or (ii) vehicle miles operated by a carrier in the locality versus the State-wide total.

Passenger Car Rental Tax

Motor vehicles rented on a daily basis are often moved from location to location and have no fixed site for personal property taxation. In lieu of the local personal property tax, the Virginia Department of Taxation administers and collects a tax for short-term rentals from rental businesses, automobile dealerships and other establishments located in the County. The State remits 4% of the rental fee for motor vehicles rented for a period of less than twelve months to the County.

Manufactured (formerly Mobile) Home Titling Tax

The Manufactured Home Titling Tax is a 3% tax on mobile homes titled in the Commonwealth. The vendor pays the tax to the Department of Motor Vehicles who remits it to the locality where the home is registered.

Payments in Lieu of Taxes (PILT)

Payments in Lieu of Taxes (PILT) are Federal payments to local governments that help offset losses in property taxes due to nontaxable Federal lands within their boundaries. The formula used to compute this payment is based on population, receipt sharing payments, and the amount of Federal land within an affected county. The President signed the Consolidated Appropriations Act, 2017 (P.L. 115-31) on May 5, 2017, which appropriated $465 million in discretionary funding for the FY 2017 PILT Program. Payments are normally issued prior to June 30th. Also included in PILT are funds received from the U.S. Fish and Wildlife Service.

Department of Finance
Tax Rates 2017

PERSONAL PROPERTY	
Personal Property - Tax Relief (PPTRA)	
Assessed Value of a Vehicle	Percent of Tax Relief
$1,000 or less	100%
$1,001 - $20,000	48.5%
$20,000 or more	48.5% on the first $20,000 of assessed value
Personal Property - License Fee	
Vehicles - Include Automobiles, Trucks, and Motorhomes	$24.00
Motorcycles	$12.00
Personal Property - per $100 of valuation	
General Class: vehicles, certain trailers, and motorcycles	$ 3.70
General Class: business equipment, furniture, fixtures	$ 3.70
Heavy Equipment and Machinery	$ 3.70
Mining & Manufacturing Tools	$ 2.00
Mobile Homes	$ 1.125
Programmable Computer Equipment and Peripherals used in a Trade/Business	$ 1.25
Research & Development	$ 1.00
Due to the low tax rate (.00001) per $100 of assessed value for property tax classifications listed below, no tax bills are generated if the assessed value is $50,000,000 or less.	
Aircraft	$ 0.00
Volunteer Fire & Rescue Members' Vehicle	$ 0.00
Auxiliary Volunteer Fire & Rescue Members' Vehicle	$ 0.00
Farmers Machinery and Tools	$ 0.00
Personal Property owned by Certain Elderly and Handicapped Persons	$ 0.00
Privately owned Recreational Campers/Motor Homes/Recreational Travel Trailers/Horse Trailers	$ 0.00
Van Pool Vans	$ 0.00
Vehicles Modified for Disabled	$ 0.00
Watercraft	$ 0.00

REAL ESTATE	
Real Estate - per $100 of valuation	
Base Rate	$ 1.1250
Fire and Rescue Levies (Countywide, except for the Town of Quantico)	$ 0.0792
Mosquito and Forest Pest Management (previously Gypsy Moth)	$ 0.0025
Solid Waste Management Annual Fee	
Single Family	$ 70.00
Townhouse	$ 63.00
Mobile Home	$ 56.00
Multi Family (Apartment or Condo)	$ 47.00
Business/Non-Residential (per SFE where a SFE = 1.3 tons)	$ 70.00
Storm Water Management Annual Fee	
Single Family	$ 39.36
Townhouse	$ 29.52
Mobile Home	$ 29.52
Multi Family (Apartment or Condo)	$ 29.52
Business/Non-Residential (per 2,059 sq. ft. of impervious area)	$ 39.36
Service District Levies	
Bull Run Mountain	$ 0.1311
Lake Jackson	$ 0.1650
Transportation District Levies	
Prince William Parkway	$ 0.0000
234-Bypass	$ 0.0200
Overlapping Governments	
Town of Dumfries (real estate)	call 703-221-3400
Town of Haymarket (real estate and business personal property)	call 703-754-4816
Town of Occoquan (real estate)	call 703-491-1918
Town of Quantico (real estate)	call 703-640-7411

BUSINESS

Business License - per $100 gross receipts	
Builders and Developer	$0.13
Business Services	$0.21
Contractors	$0.13
Financial Services	$0.33
Hotels and Motels	$0.26
Mixed Drink License (Flat Fee)	$200 - $500
Other Services	$0.21
Peddlers (Flat Fee)	$500
Personal Services	$0.21
Professional Occupation	$0.33
Real Estate Services	$0.33
Repair Services	$0.21
Retail Merchants	$0.17
Wholesale Merchants *per $100 gross purchases	$0.05

UTILITIES

Natural Gas - Consumer Utility Tax

Residential Users - Minimum Billing Charge $1.60 + $0.06 per CCF not to exceed $3.00 per month.

Commercial Users - Minimum Billing Charge $3.35 + $0.085 per CCF not to exceed $100.00 per month.

Natural Gas - Local Consumption Tax

All Users - $.004 per CCF with a consumption ceiling of 500 CCF per state code.

Electricity - Consumer Utility Tax

Residential Users - Minimum Billing Charge $1.40 + $0.01509 per kWh not to exceed $3.00 monthly.

Commercial Users - Minimum Billing Charge $2.29 + $0.013487 per kWh not to exceed $100.00 monthly.

Electricity - Local Consumption Tax

All Users -
$0.00038 per kWh from 0 to 2,500 kWh, per state code
$0.00024 per kWh from 2,501 to 50,000 kWh, per state code
$0.00018 per kWh in excess of 50,000 kWh, per state code

Telephones (Land Lines/Cellular/E-911)

The Virginia communications tax replaced the taxes and fees on landline/cellular telephone bills issued on or after Jan. 1, 2007, as follows:

- Local consumer utility tax
- Local E-911 tax
- Local BPOL tax currently billed to customers in some localities
- Virginia Relay Center fee

The Virginia communications sales and use tax rate is 5% of the amount billed for taxable services. The State E-911 Tax is $0.75 per line.

Cable TV

Beginning Jan. 1, 2007, cable television bills reflected the following charges:

- Virginia communications sales and use tax
- Cable television public rights-of-way use fee

The Virginia communications sales and use tax rate is 5% of the amount billed for taxable services. The cable television public rights-of-way use fee is currently $0.64 per subscriber.

MISCELLANEOUS

Miscellaneous Tax Types

- Daily Rental Tax Short Term Rental Business – 1% of the gross proceeds arising from rental of tangible personal property.

- Daily Rental Tax Heavy Equipment Rental Business – 1.5% of the gross proceeds arising from rental of heavy equipment property.

- Transient Occupancy Tax – 7% of total charge for lodging or space furnished to a transient.