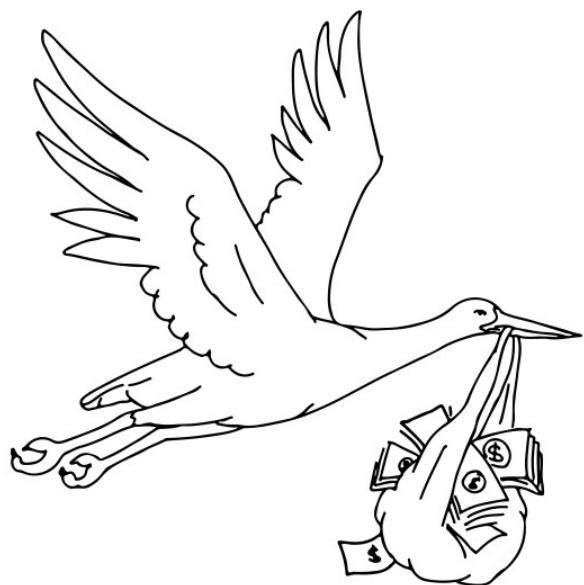




The 2020 Revenue Report

“Where Do Local Taxes Come From?”



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Preface – *The Revenue Report*

The Free Enterprise Forum, as a part of its mission to inform, analyze and promote dialog, is pleased to present our most recent examination of local tax revenue sources in this comprehensive report and analysis.

The attached reports cover Albemarle, Fluvanna, Greene, Louisa, Nelson Counties, and the City of Charlottesville. The analysis seeks to develop comparative metrics to examine the taxation trends in each locality and determine if these trends can be correlated to other localities. In addition, *The Revenue Report* seeks to promote understanding of the impact of business and economic development to diversify a locality's tax revenue streams.

The Revenue Report quantifies the significance of developing tax generating activities in addition to those directly related to property ownership. Other local revenue streams include permits, privilege fees, and regulatory licenses, charges for services, business license tax (BPOL), consumer utility taxes, restaurant food tax, as well as the local portion of sales and use tax.



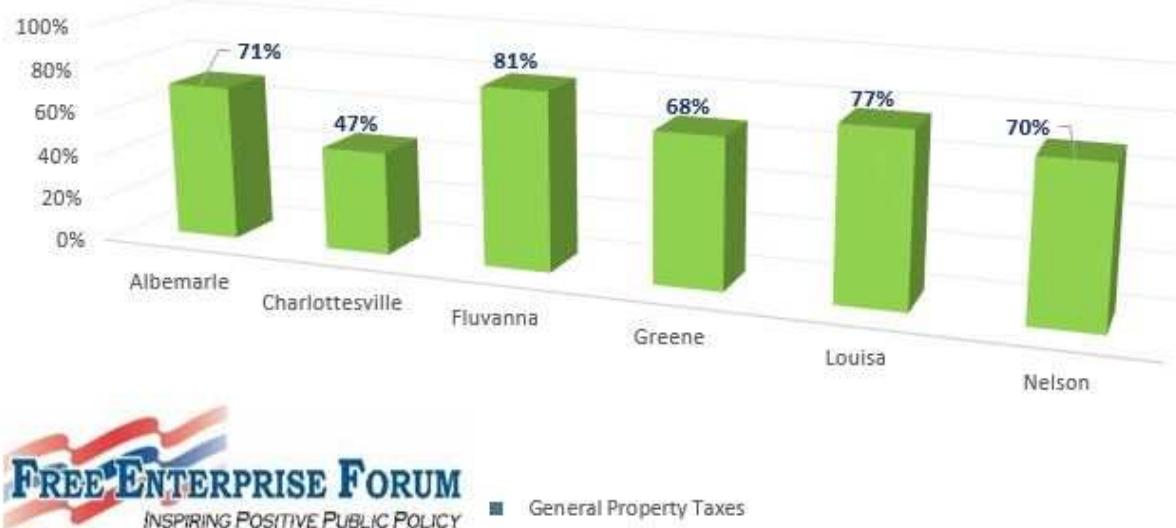
The data used to develop ***The Revenue Report*** was mined from the Commonwealth of Virginia's Auditor of Public Accounts (APA) Comparative Report on Local Government Revenue and Expenditures which presents data as submitted by the localities.

According to the APA:

“All Virginia counties, cities, towns with a population of 3,500 or more, and towns operating a separate school division are required to submit comparative data to the Auditor of Public Accounts annually. The data presented represents the local government operations for the general government and enterprise activities.”

The data was further refined by additional analysis and discussions with the finance and budget offices of each localities directly. The Free Enterprise Forum appreciates the finance directors, Commissioners of the Revenue, Treasurers and Office of Management and Budget personnel who all freely provided data critical for this report.

FY20 PROPERTY TAX PERCENTAGE OF LOCAL REVENUE



By focusing exclusively on one year (FY20), the Free Enterprise Forum seeks to highlight where different localities generate their tax revenues. The COVID-19 global pandemic occurred halfway through FY20; local revenues were clearly impacted by shifts in consumer spending. Anecdotally, we saw significantly more sales tax revenue in the outlying counties as workers started to telecommute and make their purchases closer to home.

The Revenue Report objective metrics provide policy makers and staff the ability to compare their operations to their neighbors. This comparison is helpful in illuminating differences and areas for potential improvement.

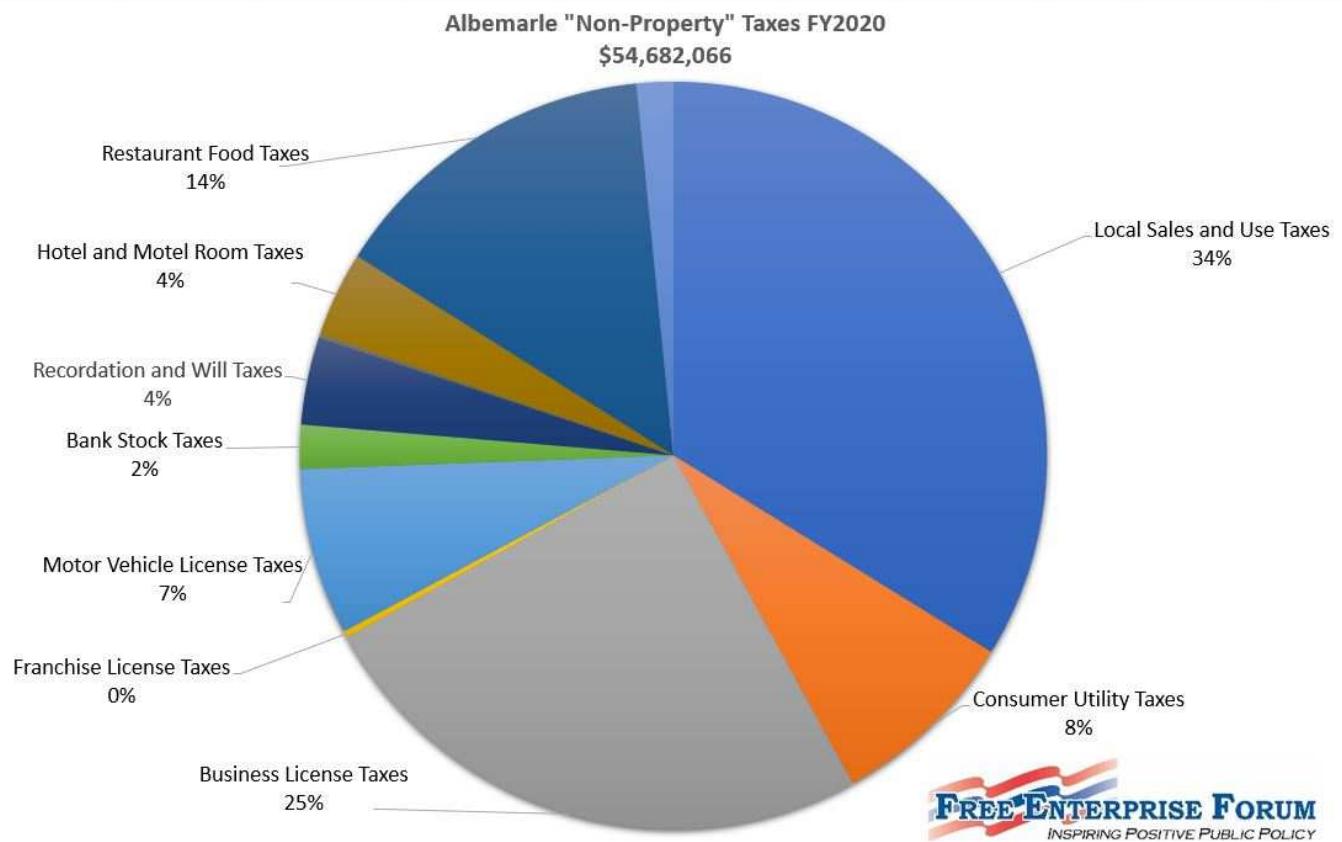
I. Albemarle County

Albemarle County, with a land mass of 722.61 square miles and a population of 107,697, experienced the largest local revenue in the study of \$289,448,229 for FY20.



Albemarle's 2020 Property Tax rate was \$.854/\$100 of assessed value. Local property tax revenue (\$204,922,996) represented the lion's (71%) of the total local revenue (286,913,047).

Attempting to understand the commercial residential split of property taxes, the Free Enterprise Forum queried Albemarle County's finance department. Via e-mail Albemarle staff indicated that combined commercial and industrial uses represented 14.2% of the property taxes paid (\$29,099,065). Residential (including apartments) represented 85.8% of property taxes paid (\$175,823,931).



The FY20 other "non-property" taxes totaled \$54,682,066. The Free Enterprise Forum estimates 90% of these "non-property" taxes are paid for, or collected by, business operations.

\$ 29,099,065	Commercial + Industrial Property Tax (14.2%)	\$ 175,823,931	Residential Property Tax [including apartments] (85.8%)
\$ 49,213,859	90% of "other" local taxes	\$ 5,468,207	10% of "other" taxes
\$ 78,312,925	Commercial Contribution	\$ 181,292,137	Residential Contribution
27.3% of Total Local Revenue		63.2% of Total Local Revenue	

Combining the Albemarle determined “commercial” property taxes with 90% of the “non-property” taxes, Albemarle County businesses provided/collected \$75.42 million in local tax revenue. This represents 27.3% of Albemarle’s FY20 Total Local Revenue.

II. City of Charlottesville

The City of Charlottesville is the smallest locality studied in terms of land area, 10.26 square miles, but it is also the locality with the highest population density, at 4,788 persons per square mile. In 2020. Charlottesville’s property tax rate was \$.95/\$100 of assessed value.

Charlottesville local revenue totaled \$183,068,452. General property taxes totaled \$85,976,029 (47%) of the total revenue.

Attempting to understand the commercial-residential split of property taxes, the Free Enterprise Forum queried the City of Charlottesville. Via e-mail, Charlottesville City Treasurer Jason Vandever indicated for calendar year 2020 70.74% of local real estate tax was residential (including apartments) and 29.26% was commercial and industrial.

CITY OF CHARLOTTESVILLE Use Code Summary Totals									
Print Date: 4/20/2020		Effective Date: 04/20/2020		Records Printed: 12					
Use Code	Description	Count	Land	Use	Impr	Land/Impr Total	Use/Impr Total	Tax	Exempt Tax
1.0 Residential (Urban)		11,749	1,148,142,300		2,941,351,200	4,089,493,500	2,941,351,200	38,741,101.34	\$0.00
2.0 Resid (sub)		4	200			200		1.92	\$0.00
3.0 Multi Family		2,065	395,888,000		1,163,296,400	1,559,184,400	1,163,296,400	14,800,285.28	\$0.00
4.0 Comm & Ind		1,320	1,023,609,400		1,514,831,700	2,538,441,100	1,514,831,700	24,112,157.36	\$0.00
8.0 Corp Commission Total		44						0.00	\$0.00
		15,182	2,567,639,900		5,619,479,300	8,187,119,200	5,619,479,300	77,653,545.90	\$0.00

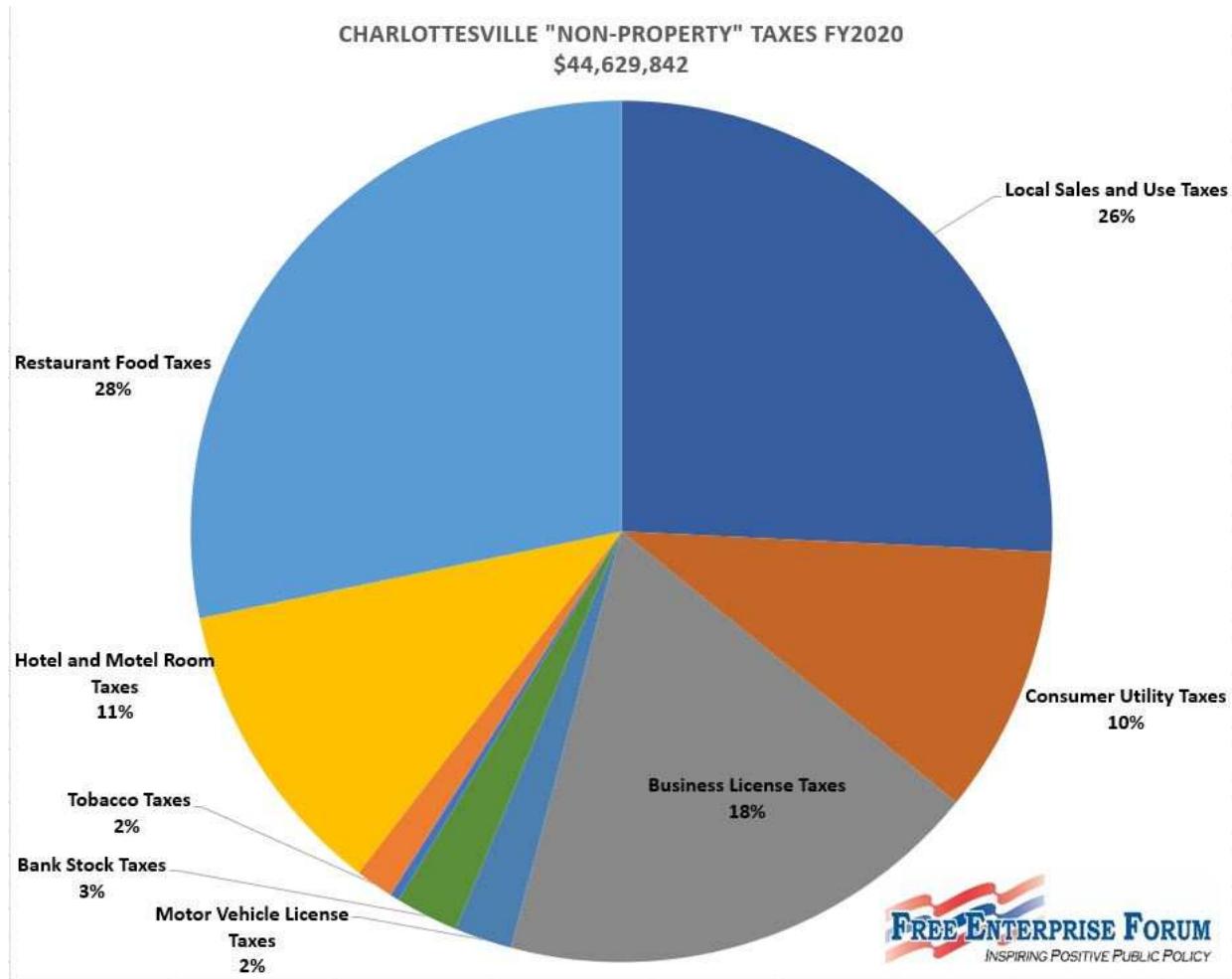
It is important to note 10% of Charlottesville local revenue is designated as miscellaneous income. This includes revenue sharing from Albemarle County.

From Albemarle’s [FY2020 Comprehensive Annual Financial Report](#):



During the fiscal year, the County paid \$15,855,485 to the City as a result of this agreement. Amounts to be paid pursuant to this agreement are to be funded from revenues of the fiscal year in which paid.

Charlottesville’s “Non-Property” taxes totaled \$44,629,842. The Free Enterprise Forum estimates that 90% of the “Non-Property” taxes are paid/collected by business operations.



Combining the \$25,105,000 of Commercial/Industrial real estate taxes paid with the estimated \$40,166,858 of “non-property taxes” paid, results in business tax revenue totaling \$65,271,858 (35.7% of local tax revenue).

\$ 25,105,000	Commercial + Industrial Property Tax (29.2%)	\$ 60,183,220	Residential Property Tax [including apartments] (70.7%)
\$ 40,166,858	90% of "other" local taxes	\$ 4,462,984	10% of "other" taxes
\$ 65,271,858	Commercial Contribution	\$ 64,646,205	Residential Contribution
35.7%			35.3%

It is important to note 8.66% of Charlottesville’s local revenue is from the Revenue Sharing Agreement with Albemarle County (\$15,855,485 in FY20). The City of Charlottesville also operates as a utility, 15% of Charlottesville’s recognized local revenue is from “Charges for Services” (\$27,904,689 in FY20).

III. Fluvanna County

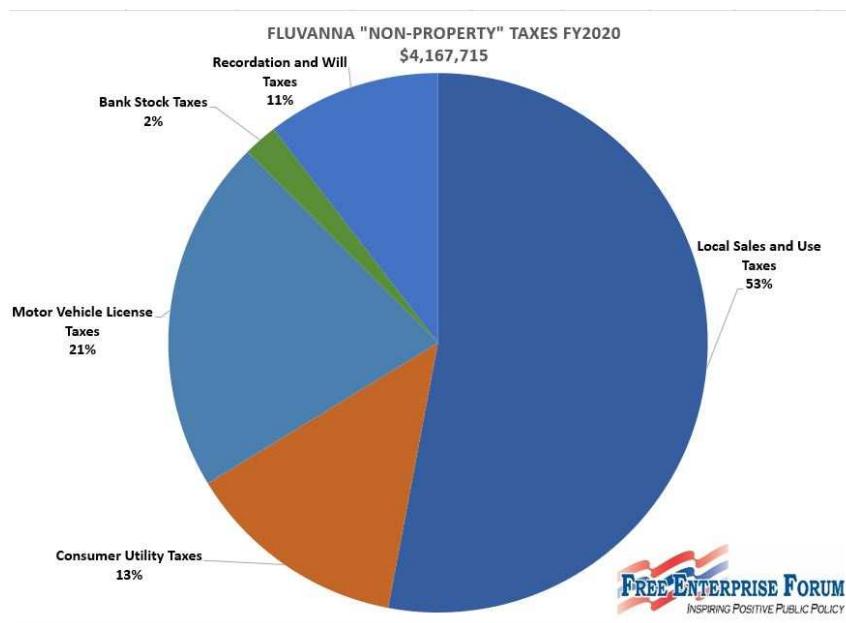
Fluvanna County has a land area of 287.37 square miles. In 2020, Fluvanna County's property tax rate was \$.925/\$100 of assessed value.

Fluvanna local revenue totaled \$47,083,459. General property taxes totaled \$38,259,958 (81%) of the total revenue.

In researching Fluvanna's real estate tax base, we found (via GIS mapping) Fluvanna has less than .75% of its land mass dedicated to commercial zoning. Considering the increased value of land that is commercially zoned, the Free Enterprise Forum estimates that 2% of all General Property Taxes are paid by business. The Free Enterprise Forum estimates 2% (\$497,205) of General Property taxes can be assigned to business.

Fluvanna had \$4,167,715 "Non-Property" Taxes in 2020.

Zoning	Acreage	%	Parcels	%
R-1	499	0.27%	324	2.01%
R-2	256	0.14%	67	0.41%
R-3	415	0.23%	292	1.81%
R-4	2763	1.51%	4657	28.84%
MHP		0.00%		0.00%
I-1	777	0.42%	92	0.57%
I-2	109	0.06%	4	0.02%
B-1	471	0.26%	210	1.30%
B-C	17	0.01%	10	0.06%
A-1	178066	97.11%	10446	64.69%
A-1/B-1			2	0.01%
Null			45	0.28%
Total	183373		16149	



As Fluvanna has fewer business operations, the Free Enterprise Forum estimates that 78% (\$3,250,817) of "Non-Property" taxes are paid/collected by business operations (including utilities).

Based on Fluvanna's lack of multifamily developments and the absence of statistically significant commercially zoned property results in business tax revenue totaling \$3,748,023 (7.96% of local revenue).

IV. Greene County

Other than the City of Charlottesville, Greene County is the smallest locality (geographically) included in this study. With 156.58 square miles of land area and 19,985 residents, Greene County has a population density of 127 persons per square mile.

Greene County's local revenue totaled \$33,214,173. General property taxes totaled \$22,581,558 (68%) of the total revenue. Greene County's 2020 tax rate was \$.82/\$100 of assessed value.

While the Greene County Commissioner of the Revenue's office does not break out commercial and residential tax, GIS mapping indicates 4% of Greene County's parcels (not land mass) are zoned to allow commercial/industrial uses.

Considering the increased value of commercial/industrial zoned land and knowing the vast majority of Greene

County's land mass is agricultural leads the Free Enterprise Forum to estimate 7% of the General property tax revenue (\$1,580,709) is directly related to commercial or industrial uses.

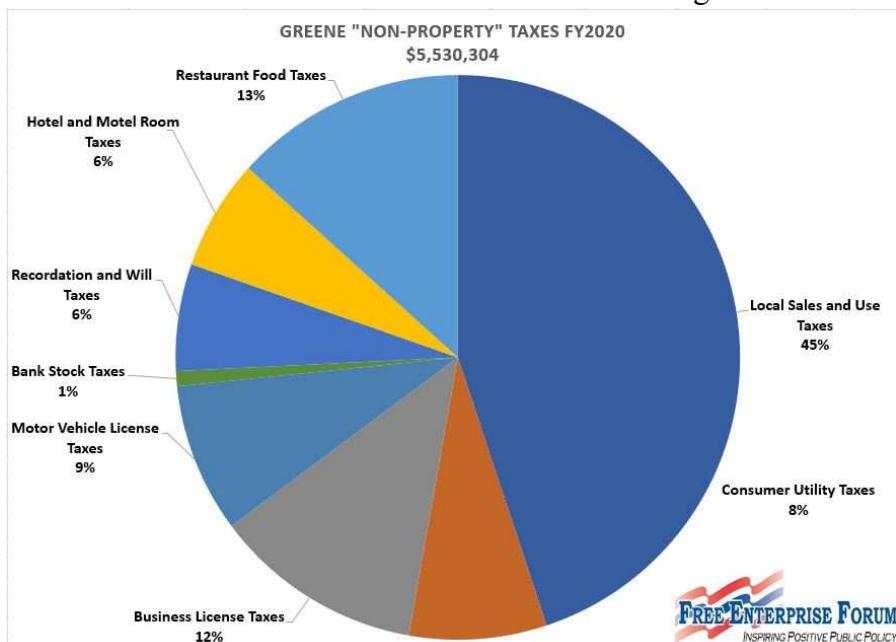
The introduction of the Stoneridge Center (Lowes 2008, Walmart 2010) significantly increased Greene County's sales tax

revenue moving from ~\$980,000 in 2007 to over \$2.4 Million in FY20.

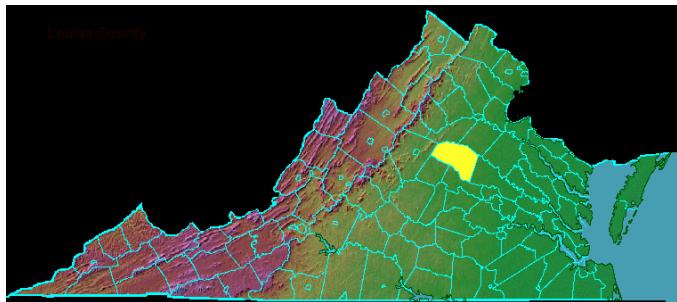
Greene County reported \$5,530,304 "Non-Property" Taxes in 2020. The Free Enterprise Forum estimates that 90% of "Non-Property" taxes are paid/collected by business operations (including utilities).

Using the Free Enterprise Forum estimated "commercial/industrial" general tax portion (\$1,580,709) combined with the business portion of "Non-Property" taxes (\$4,977,274) results in a business impact of \$6,557,983 (19.74% of local tax revenue).

There are several new apartment complexes in the Greene County development pipeline. It will be interesting to determine (since the Commissioner of the Revenue does not track) how these new developments impact the tax base in the years to come.



V. Louisa County



Louisa County has a land area of nearly 500 square miles and a population density of 72 people per square mile.

Louisa County's 2020 local revenue totaled \$82,406,330. General property taxes totaled \$64,155,002 (78%) of the total revenue. Louisa County's 2020 tax rate was \$.72/\$100 of assessed value.

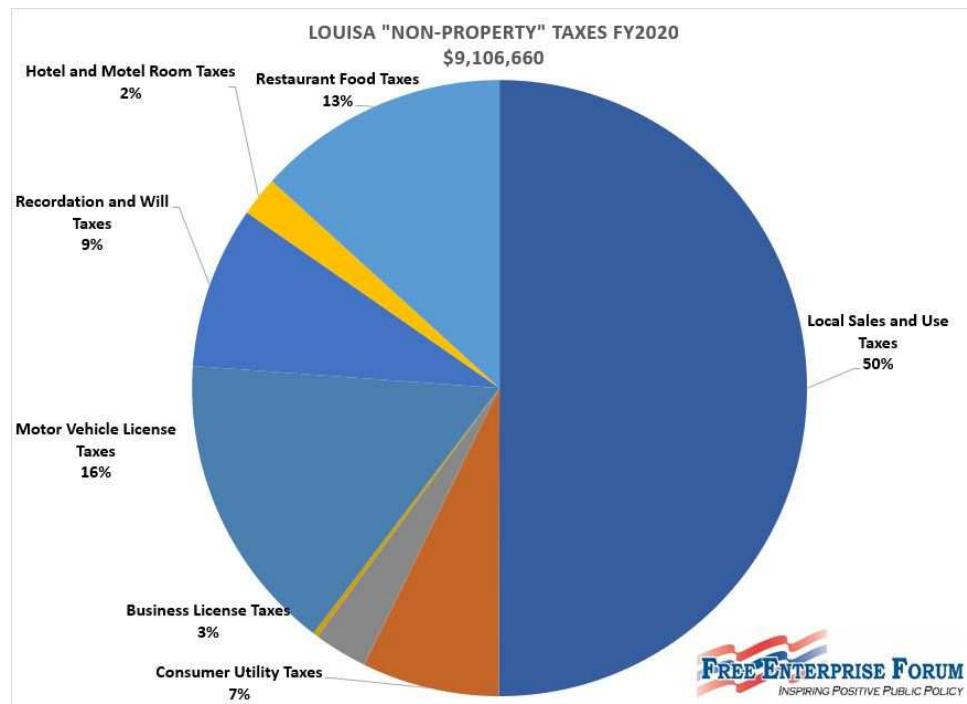
The Free Enterprise Forum research determined while Louisa has several very productive commercial and industrial nodes, most of the property is in residential and agricultural (often tax reduced) use. Based on our review of GIS mapping, we believe less than 1% of the land mass is available to commercial/industrial users. That 1% however is valuable (i.e. Zion Crossroads), therefore we estimate 4% of the general property taxes (\$2,566,200) are paid by commercial/industrial users.

As in Greene County, the introduction of the Zion Shopping area (Lowes 2008, Walmart 2009) significantly increased Louisa County's sales tax revenue moving from \$1.6 million in 2007 to over \$4.55 million in 2020.

Louisa County's FY20 "Non-Property" Tax revenue totaled

\$9,106,660. The Free Enterprise Forum estimates that 90% of "Non-Property" taxes are paid/collected by business operations (including utilities).

Using the Free Enterprise Forum estimated "commercial/industrial" general property tax portion (\$2,566,200) combined with the business portion of "Non-Property" taxes (\$8,195,994) results in a business impact of \$10,762,194 (13.06% of local tax revenue).



VI. Nelson County



With a 2020 population estimated at 14,838 (a drop of 717 since 2008), Nelson County is the smallest locality in terms of population included in this study. It is also the least densely populated, with a population density of nearly 31 persons per square mile.

Nelson County's 2020 local tax revenue totaled \$30,212,125. General property taxes totaled \$21,596,875 (71%) of the total revenue. Nelson County's 2020 property tax rate \$.72/\$100 of assessed value.

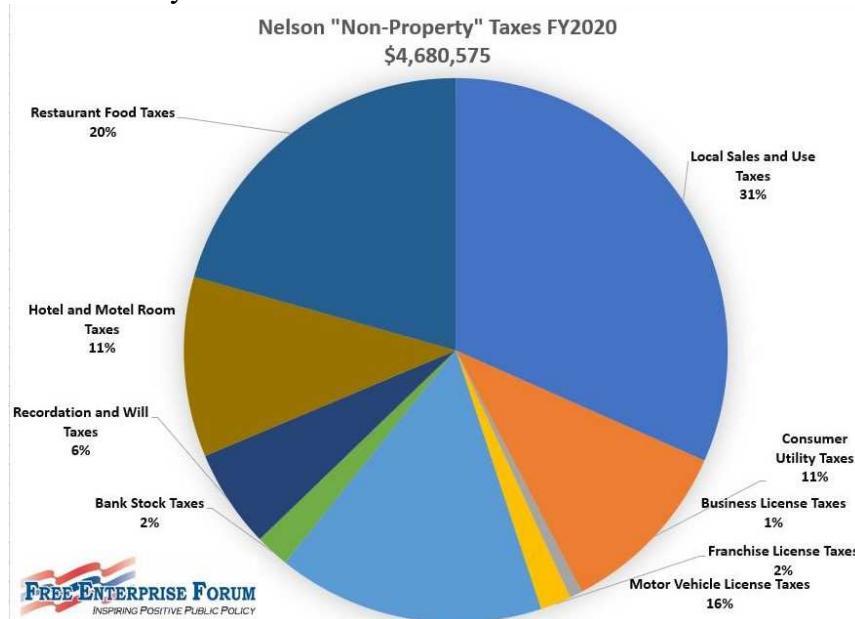
Nelson County benefits from a significant number of breweries, wineries, and other agricultural enterprises as well as the Wintergreen resort. In preparing the Revenue Report, the Free Enterprise Forum wrestled with the inability to isolate these "commercial" uses from the balance of the tax base. While many of the agricultural operations have their property in land use taxation, the resort property generates significant tax revenue. Based on our analysis of GIS mapping and understanding of the Nelson County economic environment, we estimate that 2% of the land mass is in "commercial/industrial" use. We also consider short term resort rental to be a commercial activity,

considering the value of such real estate, and the wide use of land use taxation on the balance of the land, we have allocated 7% of property tax revenue to short term resort rental business. We feel confident in our estimate that "commercial uses" represent 9% (\$6,156,236) of Nelson County's property tax revenue.

Nelson County's FY20 "Non-Property" Tax revenue totaled \$4,680,575. The Free Enterprise Forum estimates that 90% of "Non-Property" taxes are paid/collected by business operations (including utilities).

It is important to note, Nelson County has the second highest Restaurant and Food Tax percentage (22%) behind only Charlottesville (25%) of "Non-Property" tax revenue.

Based on the Free Enterprise Forum estimated commercial property tax revenue (\$1,943,719) coupled with our allocated portion (90%) of the "non-property" taxes (\$4,212,518) results in a business impact of \$6,156,236 (20.38% of total revenue).

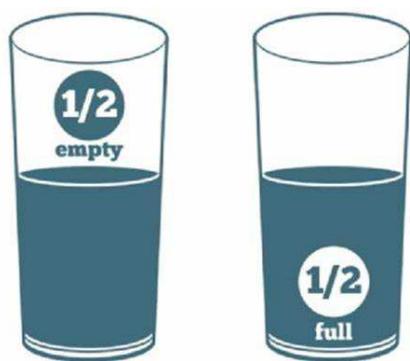


VII. Conclusion

At the start of this study, The Free Enterprise Forum hypothesized business generating greater than 20% of local revenue. Our methodology found half of the localities studied (Albemarle, Charlottesville, Nelson) achieved this target. Charlottesville has the highest percentage with 33.65%. Fluvanna County was the negative outlier with a mere 7.3% of local tax revenue attributable to business.

In general, we found the zoning codes in many localities significantly limited the areas for commercial economic activity. While this is clearly by design, it is not clear that the economics of such political decisions were balanced with the economic cost/benefits in mind. Many localities have significant commercial land zoned and available or soon to be rezoned. It will be important to track any increases in commercial use in future reports.

Working through the economic analysis, we also identified a weakness in our methodology. The Free Enterprise Forum considers agricultural operations to be businesses that pay taxes but could not identify a financial metric to capture this economic activity. The result of this omission is an undercount of agricultural business taxes paid across the analysis. This is an area for additional study and refinement.



There are several ways to look at the business impact data. The optimist might consider any amount of local business tax revenue to be helping relieve pressure on residential property taxpayers.

The pessimist might suggest that the level of local taxes paid by commercial entities should be a larger part of the revenue picture.

Realists, such as Economist Milton Friedman, might acknowledge that most “business” taxes are merely pass through costs to the end users (diners, customers, renters, etc.).

In conclusion, The Free Enterprise Forum’s ***Revenue Report*** provides citizens, and decision makers, an objective locality specific metric to be used to compare local tax revenue streams between municipalities. As mentioned in the preface, this analysis seeks to promote discussion and debate.

Armed with an objective metric such as ***The Revenue Report***, to inform critical local economic development, zoning, and comprehensive planning discussions. In the end, it is up to the citizens to determine their ideal local revenue mix.

About the author:



Neil Williamson serves as President and Executive Director of [The Free Enterprise Forum](#), a privately funded, public policy organization in Charlottesville, Virginia.

The Free Enterprise Forum is dedicated to fostering communication on a variety of growth, land, and resource management and economic development issues.

As managing editor of The Free Enterprise Forum blog, Williamson often challenges local governments, businesses and citizens to expand their vision and consider the unintended consequences of their actions.

Often quoted as a voice in favor of economic freedom, Williamson is a regular commentator on several local media outlets regarding local economic vitality, growth, and development issues.

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