City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 28, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 15 TAX ON LANDLINE RESIDENTIAL TELEPHONE SERVICE

This memo is in response to City Council's request for an analysis of the City of Alexandria's tax rates on residential land line telephone service compared to surrounding regions and a comparison of the amount of tax for a typical residential taxpayer. Please note, the City does not levy any taxes or fees on the use of cell phones. The following details the tax rates on landline residential telephone service in the City, the surrounding region and a selection of other large Virginia jurisdictions.

LOCALITIES	CONSUMER UTILITY TAX RATE *	E-911 TAX*	PUBLIC RIGHT-OF-WAY USE FEE*
City of Alexandria	25% OF LOCAL SERVICE **	$0.50	$0.59
State Limit	20% of first $15	$3.00	Rate set by VDOT

In Region

Arlington County	n/a	$1.75	$0.59
Fairfax County	22.2% on First $50**	$2.50	n/a
Loudoun County	9% on first $30	$2.00	n/a
Prince William County	20% on first $15	$1.75	n/a

Other Large Virginia Cities

Charlottesville	10% on first $3,000	$1.50	n/a
Newport News	22% on first $13.20	$2.39	$0.59
Norfolk	25%	$2.95	$0.59
Richmond	25% on first $20	$3.00	$0.59
Virginia Beach	20% on First $15	$2.20	n/a

* Based on *Tax Rates 2004* published by Weldon Cooper Center for Public Service.
** The City's existing tax rate exceeds the State cap. The State cap was established after the City had set this rate.

The following chart depicts the amount a resident would pay in taxes and fees on their landline telephone. The chart is based on an estimated local charge for a single line service of $29.95, derived from amounts shown on Verizon's website.

Taxes and Fees on a Typical Monthly Residential Bill

	Alexandria	**Fairfax County**	**Prince William County**
Consumer Utility Tax	$7.49	$6.65	$3.00
E-911 Tax	$0.50	$2.50	$1.75
Right-of-Way Fee	$0.59	$0.00	$0.00
Total Taxes and Fees	$8.58	$9.15	$4.75

The City collects approximately $8.3 million in Consumer Utility Taxes on telephone service, $0.7 million on E-911 tax and $0.7 million in Public Right-of-Way fees. The City does not have the ability to split these revenues between the amounts collected on residential service compared to commercial service. Since the City has a Consumer Utility Tax rate that exceeds the State limit, the City cannot change its rate without reducing it to the State limit or lower. Staff does not recommend increasing the E-911 limit because the City exceeds the total amount of taxes and fees collected on the typical residential landline telephone services in Arlington County and Prince William County (Arlington does not charge a residential Consumer Utility Tax on Telephones.) and are not drastically below the amount charged by Fairfax County.