

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 21, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: BUDGET MEMO # 5 : FISCAL IMPACT OF REAL ESTATE TAX RATE REDUCTION OPTIONS

At the March 15, 2005 Budget Work Session, City Council members asked that staff provide them information on the fiscal impact of real estate tax rate reductions from the four cent reduction proposed in the City Manager's budget to a 16 cent reduction (from 99.5 cents per \$100 to 83.5 cents per \$100).

The attached table shows the fiscal impact in terms of the decline in revenues at various real estate tax rate reduction options. Each 1 cent reduction in the rate would decrease revenues by \$4.1 million in total over an 18 month period.

Fiscal year 2005 revenues would decline by \$1.34 million (because any rate reduction adopted by City Council in May would apply to the June 2005 real estate tax bill). Each 1 cent reduction in the rate would lower FY 2006 revenues by \$2.76 million (assuming the rate applies to both the December and June real estate tax bills due in FY 2006 and that CY 2006 assessments increase by 6 percent as assumed in the proposed budget).

A reduction of rate by 16 cents would lower revenues by a total \$65.6 million, an additional \$49.2 million reduction, compared to the proposed budget rate reduction of 4 cents.

Attachment

FISCAL IMPACT OF REAL ESTATE TAX RATE REDUCTIONS
(\$ in millions)

Real Estate Tax Rate Reduction Options	Revenue Impact		
	FY 2005	FY 2006	Total
1 cent	\$1.34	\$2.76	\$4.10
2 cent	\$2.68	\$5.52	\$8.20
3 cent	\$4.02	\$8.28	\$12.30
4 cent	\$5.36	\$11.04	\$16.40
5 cent	\$6.71	\$13.80	\$20.51
6 cent	\$8.05	\$16.56	\$24.61
7 cent	\$9.39	\$19.32	\$28.71
8 cent	\$10.73	\$22.08	\$32.81
9 cent	\$12.07	\$24.84	\$36.91
10 cent	\$13.41	\$27.60	\$41.01
11 cent	\$14.75	\$30.36	\$45.11
12 cent	\$16.09	\$33.12	\$49.21
13 cent	\$17.43	\$35.88	\$53.31
14 cent	\$18.77	\$38.64	\$57.41
15 cent	\$20.12	\$41.40	\$61.52
16 cent	\$21.46	\$44.16	\$65.62