

Vehicle Values Continue to Soar

As most of you know, the Commissioner of the Revenue is tasked with the duty of valuing vehicles for local personal property taxation. What some of you may not know, the Code of Virginia dictates how vehicles “shall” be valued. Virginia Code specifies that, for most vehicles, in order to arrive at fair market value, **the value shall be** (1) from a recognized pricing guide, (2) applied uniformly, and (3) as of January 1 of the tax year. Like all localities throughout Virginia, Culpeper uses the J. D. Power Official Used Car Guide (formerly known as NADA). In accordance with the Code of Virginia §58.1-3503 and §58.1-3515, the Commissioner of the Revenue office uses the “Clean Trade-in Value”, January edition, to determine fair market value for most used vehicles.

Last year, I shared with you how the pandemic had impacted the value of many vehicles as of January 1, 2021. Back in February of 2021, J. D. Power was quoted as saying *“just over the Summer of 2020, prices increased over 10% for the US used car market as a whole”*. The unusual market resulted in approximately 16% of vehicles experiencing a higher value in 2021 than that same vehicle was valued in 2020. This meant that some of us received a higher tax bill in 2021 than we received for that same exact vehicle in tax year 2020.

According to J. D. Power (January 2022), the industry average price change in vehicles up to 8 years in age increased by 54% from January 2021 to January 2022. Across the vehicle segments, Large Premium Cars increased 23%, Compact SUV's 56% and Large Vans 107%.

Why is this happening? According to J. D. Power (October 14, 2021) *“the ongoing global chip shortage and the pandemic have continued to slow new car production”*. Simply put, demand outpacing supply, rental companies holding onto their fleet, low interest rates and the influx of government stimulus money has all played a role in the unprecedented vehicle market.

Preliminary 2022 tax assessment data estimates that 96% of our vehicles (passenger cars, light trucks & vans, years 2003-2021) have increased in value as of January 1, 2022, compared to that same vehicle value on January 1, 2021. Data shows that vehicle values have increased anywhere from 0.01% to 133%, with an average increase of 25%. All 133 localities in Virginia are experiencing the same exact market and very similar results.

Because localities throughout Virginia were trying to figure out how to lessen the tax bill shock for taxpayers, the General Assembly adopted legislation allowing local governing bodies to create a special class of property for local tax rate purposes. This special class of property includes vehicles, most of which are valued by J D Power. Prior to this legislative action, local governing bodies had no authority to set a more favorable tax rate on passenger vehicles, separate from that applicable to most business personal property. Passenger vehicles and business personal property were subject to the same tax rate. On May 3, 2022, the Board of Supervisors created the special class of property and also adopted a lower tax rate on this new class of personal property. For

tax year 2022, the Board of Supervisors lowered the tax rate on vehicles from \$3.50 per assessed hundred to \$3.00 per assessed hundred. This action followed their repeal of the County Vehicle License ordinance on April 5, 2022. Effective January 1, 2022, vehicles located in the County as of January 1st annually will no longer be charged a County Vehicle License fee (\$25 vehicle, \$15 motorcycle).

We know these actions will not prevent a tax bill increase for every single vehicle subject to local personal property taxation, but it will provide some relief for all vehicles.

The following chart is intended to give examples of how the unprecedented vehicle market has impacted specific vehicle values and how the change in value impacts local personal property tax. In the chart, you will see examples of vehicles with values for tax year 2021, along with the corresponding gross tax calculated at \$3.50 per assessed hundred, which was the rate adopted by the Board of Supervisors for tax year 2021. You will also see the same exact vehicles valued for 2022, along with gross tax calculated at \$3.00 per assessed hundred, which was lowered by the Board of Supervisors for tax year 2022. Please also know that these figures do not reflect a subtraction for the State’s Personal Property Tax Relief (PPTR) for qualifying vehicles, hence the use of the term “gross” tax. PPTR is adopted annually by the Board of Supervisors in August and therefore not available in time for printing of this article.

Year/Make/Model	2021 Assessed Value*	2021 Tax	2022 Assessed Value*	2022 Tax	Year to Year Assmnt Change	% Change	Year to Year Tax Change	% Change
2020 ACURA ILX-4DR	21,925	767.38	25,775	773.25	3,850	18%	5.87	1%
2019 BUICK ENCORE-4DR	14,300	500.50	22,200	666.00	7,900	55%	165.50	33%
2012 TOYOTA PRIUS-4CYL	6,325	221.38	7,425	222.75	1,100	17%	1.37	1%
2017 SUBARU OUTBACK	18,950	663.25	24,125	723.75	5,175	27%	60.50	9%
2016 DODGE CARAVAN	9,975	349.13	13,250	397.50	3,275	33%	48.37	14%
2015 FORD ESCAPE	9,100	318.50	12,150	364.50	3,050	34%	46.00	14%
2014 MINI COOPER	9,825	343.88	12,150	364.50	2,325	24%	20.62	6%
2012 MERCEDES C300	7,700	269.50	10,025	300.75	2,325	30%	31.25	12%
2015 HONDA CRV	16,000	560.00	19,600	588.00	3,600	23%	28.00	5%
2015 VOLVO S60	10,650	372.75	12,925	387.75	2,275	21%	15.00	4%
2015 JEEP RENEGADE	8,900	311.50	12,075	362.25	3,175	36%	50.75	16%
2017 HYUNDAI SANTA FE	15,100	528.50	18,900	567.00	3,800	25%	38.50	7%
2016 TOYOTA TACOMA	23,525	823.38	26,800	804.00	3,275	14%	-19.38	-2%
2011 LEXUS ES350	4,550	159.25	8,925	267.75	4,375	96%	108.50	68%
2004 DODGE RAM 1500	1,750	61.25	3,475	104.25	1,725	99%	43.00	70%
2020 CHEVY SILVER -2500	51,200	1,792.00	60,825	1,824.75	9,625	19%	32.75	2%
2017 FORD F-350	40,400	1,414.00	46,400	1,392.00	6,000	15%	-22.00	-2%

* value varies depending on options per VIN

Please know that vehicle assessment data is not completed and certified until September 1st, which is the deadline prescribed by Virginia Code.

As a result of strong demand with limited supply, many vehicle valuations for tax year 2022 are not following the historical trend of depreciating from one year to the next. For tax year 2022, most vehicles will be valued higher this year than that same vehicle was valued last year. I hope this information helps explain why.

As always, if you have questions, please stop by, call or email me.