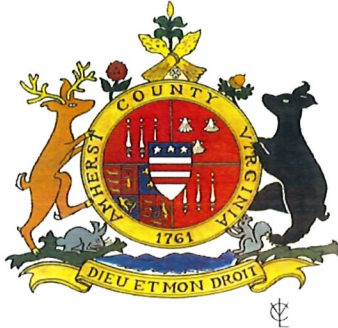


Board of Supervisors

Claudia D. Tucker, Chair
District 2
L. J. Ayers III, Vice-Chair
District 3
David W. Pugh, Jr., Supervisor
District 4
Kenneth M. Campbell, Supervisor
District 1
Jennifer R. Moore, Supervisor
District 5



County Administrator
Dean C. Rodgers

County Attorney
Michael W. S. Lockaby

AMHERST COUNTY BOARD OF SUPERVISORS

**Board of Supervisors and the Economic Development Authority
Joint Meeting**

MINUTES

AGENDA

November 27, 2018
Administration Building - 153 Washington Street - Public Meeting Room
Amherst, Virginia 24521
Meeting Convened - 7:00 p.m.

- I. Call to Order**
- II. Presentation**
 - A. Amherst County Tax and Incentive Assessment
- III. Adjournment**

MINUTES

At a Joint Meeting of the Amherst County Board of Supervisors and the Economic Development Authority and held at the Amherst County Administration building, Amherst, Virginia, thereof on Tuesday, the 27th day of November, 2018, at 7:00 p.m., the following members were present:

BOARD OF SUPERVISORS:

PRESENT: Claudia D. Tucker, Chair
David W. Pugh, Jr., Supervisor
Kenneth M. Campbell, Supervisor
Jennifer R. Moore, Supervisor

ABSENT: J. L. Ayers, III, Vice-Chair

EDA MEMBERS PRESENT: Calvin M. Kennon, Jr., Chair
Michael J. Russell
Chad Eby
Edgar O. Kinnier, Treasurer

STAFF PRESENT: County Administrator Dean C. Rodgers
County Attorney Michael W. S. Lockaby
Finance Director Stacey Wilkes

OTHERS PRESENT: Commissioner of the Revenue Jane Irby
EDA Director Victoria Hanson
EDA Assistant Director Lori Saunders
Mr. Jacob Dalton, EDA Youth Representative

I. Call to Order

Chair Tucker called the Board of Supervisors meeting to order at 7:00 p.m.

Chair Kennon called the EDA Board meeting to order at 7:03 p.m.

II. Presentation

A. Amherst County Tax and Incentive Assessment

EDA Director Victoria Hanson introduced Mr. Neal Barker and Mr. Fletcher Mangum of Mangum Solutions who presented their analysis of County taxation. **(See Attachment 1)**

By motion of Chair Tucker and with the following vote, the Board directed staff to bring forward, by the end of September, proposed ordinances that 1) will replace the Merchants Capital Tax with a BPOL Tax on retailers and wholesalers, while making adjustments that will prevent undue burden on small businesses; 2) that will adopt a sliding scale to decrease the taxable value of a businesses' machinery & tools and business tangible personal property to account for depreciation by age of property; and 3) that will slightly increase the Machinery & Tools tax rate, such that all these changes will result in rates that are conservatively revenue neutral.

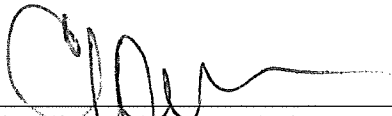
AYE: Mrs. Tucker, Mr. Pugh, Mr. Campbell, and Ms. Moore
NAY: None
ABSENT Mr. Ayers
ABSTAIN: None

III. Adjournment

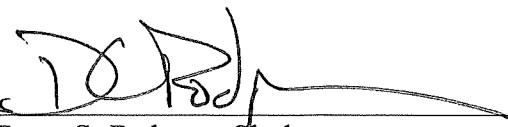
The Economic Development Authority Board adjourned their meeting.

By motion of Supervisor Campbell and with the following vote, the Board adjourned at 7:50 p.m.

AYE: Mrs. Tucker, Mr. Pugh, Mr. Campbell, and Ms. Moore
NAY: None
ABSENT Mr. Ayers
ABSTAIN: None



Claudia D. Tucker, Chair
Amherst County Board of Supervisors



Dean C. Rodgers, Clerk

11/27/18

AMHERST COUNTY BUSINESS TAX ANALYSIS

MANGUM SOLUTIONS
NOVEMBER 27, 1018

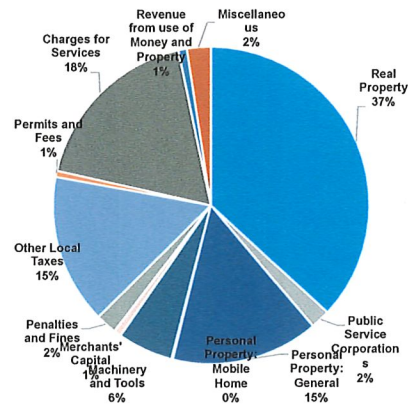
BUSINESS TAX ANALYSIS

Purpose:

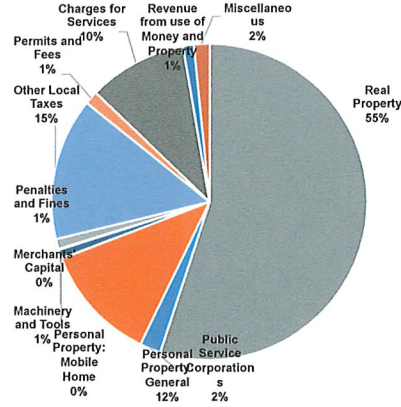
- **Assess current tax structure**
- **Recommend a business tax environment that encourages business stability, growth, and expansion**

2017 LOCAL REVENUE SOURCES

AMHERST COUNTY



ALL VIRGINIA COUNTIES



BUSINESS TAX ANALYSIS

Revenues - % of Local Revenues

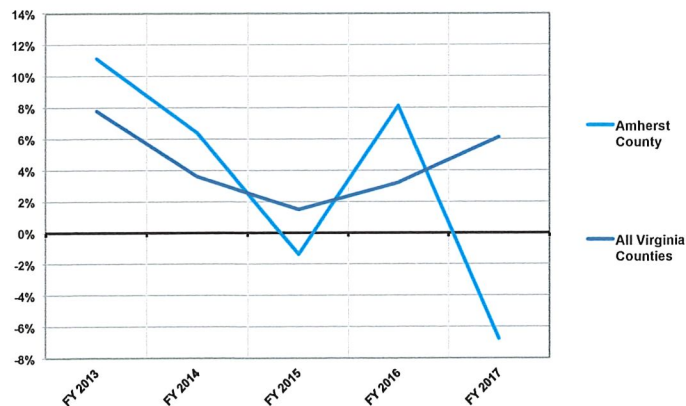
<u>Tax</u>	<u>Amherst</u>	<u>VA Counties</u>
• Real Property	37%	55%
• Personal Property	15%	12%
• Machinery & Tools	6%	1%
• Merchants Capital	1%	0%

BUSINESS TAX ANALYSIS

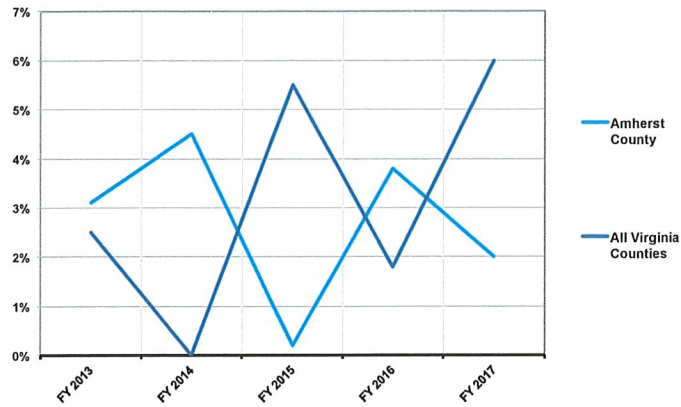
Local Revenue Growth

<u>Tax</u>	<u>FY 2016 - 17</u>	<u>FY 2013 - 17</u>
Total Revenue	6.8%	21.2%
• Real Property	8.9%	43.8%
• Personal Property	5.6%	42.8%
• Machinery & Tools	10.1%	34.9%
• Merchants Capital	-6.8%	-8.3%
• Sales & Use	2.8%	6.4%
• BPOL	-2.5	-15.8%

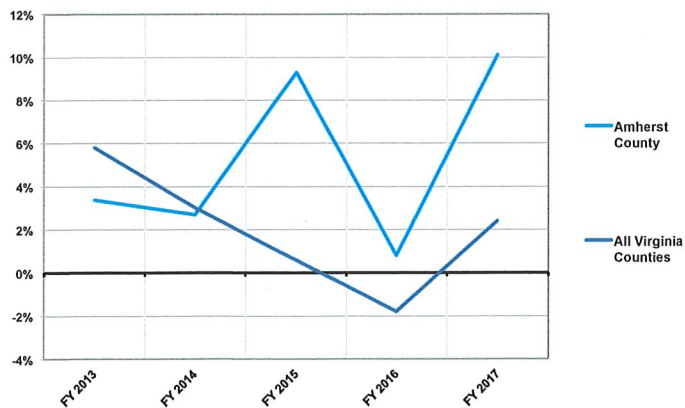
REVENUE GROWTH MERCHANTS CAPITAL TAX YEAR-OVER-YEAR CHANGE



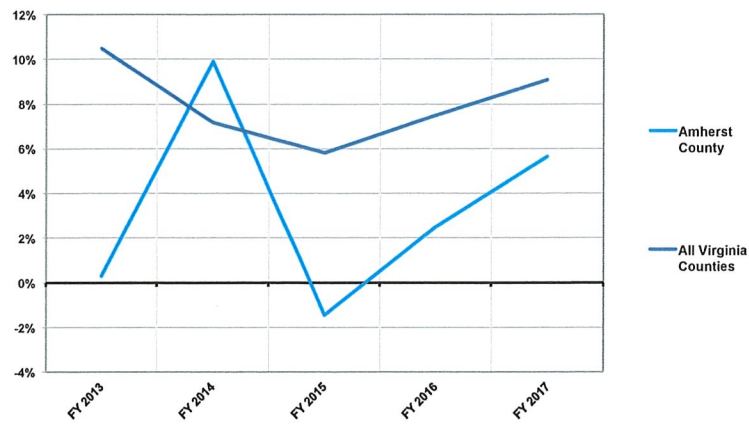
REVENUE GROWTH OTHER TAX REVENUE (INCL. BPOL) YEAR-OVER-YEAR CHANGE



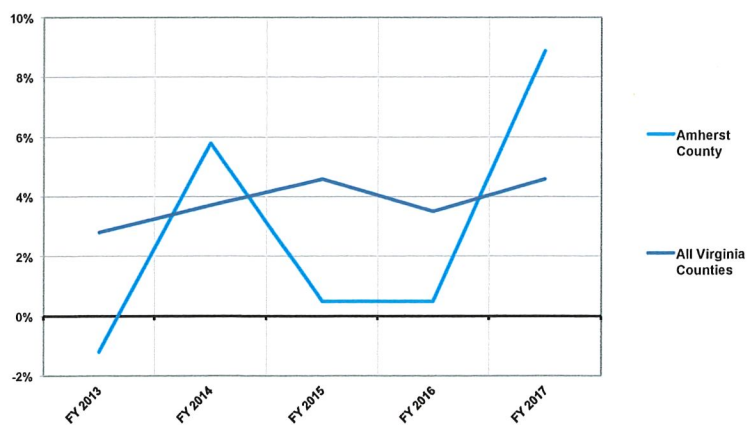
REVENUE GROWTH MACHINERY AND TOOLS TAX YEAR-OVER-YEAR CHANGE



**REVENUE GROWTH
GENERAL PERSONAL PROPERTY TAX (INCL.
BUSINESS)
YEAR-OVER-YEAR CHANGE**



**REVENUE GROWTH
REAL ESTATE TAX
YEAR-OVER-YEAR CHANGE**



AMHERST COUNTY EFFECTIVE TAX RATES

Tax	Rate	Assessment Ratio	Effective Tax Rate
Merchants' Capital	\$3.95	20%	\$0.79
BPOL (above \$50,000)			
Contractors	\$0.13		
Retailers	None		
Mail Order	\$0.31		
Warehousing/Distribution	None		
Financial Services	\$0.50		
Business Services	\$0.31		
BPOL (Below \$50,000)	\$10.00		
Machinery and Tools	\$2.00	25%	\$0.50
Tangible Personal Property	\$3.45	30%	\$1.04
Real Estate	\$0.61	98%	\$0.60

CENTRAL VIRGINIA EFFECTIVE TAX RATES

Central Virginia Counties and City					
FY 2017 - 2018					
Effective Tax Rate					
Tax	Amherst	Appomattox	Bedford	Campbell	Lynchburg
Real Estate	\$0.60	\$0.64	\$0.51	\$0.48	\$1.06
Machinery and Tools					
Year 1	\$0.50	\$0.85	\$1.20	\$0.81	\$0.90
Year 6	\$0.50	\$0.85	\$0.90	\$0.81	\$0.76
Year 16 +	\$0.50	\$0.85	\$0.30	\$0.81	\$0.76
Merchants Capital	\$0.79	\$0.85	\$0.22	None	None
Non-manufactures Tangible Personal Property					
Year 1	\$1.04	\$2.37	\$1.70	\$1.11	\$1.14
Year 6	\$1.04	\$2.05	\$1.28	\$1.11	\$0.96
Year 11	\$1.04	\$1.54	\$0.85	\$0.67	\$0.96
Year 16 +	\$1.04	\$0.77	\$0.43	\$0.67	\$0.96
Business License (BPOL)					
Retail	None	None	None	\$0.20	\$0.20
Wholesale/ Distribution	None	None	None	\$0.05	\$0.28
Financial Services	\$0.50	None	None	\$0.50	\$0.58
Business Services	\$0.31	None	None	\$0.35	\$0.36

Highest
Lowest

MERCHANTS CAPITAL TAX

- 48 Counties
- 33 have Lower Effective Rate
- Higher than Median for all Counties and Cities

	Tax Rate per \$100	Assessment Ratio %	Effective Tax Rate per \$100
Amherst County	\$3.95	20%	\$0.79
Adjacent Localities			
Appomattox County	\$1.00	85%	\$0.85
Bedford County	\$0.22	100%	\$0.22
All Cities and Counties			
Median			\$0.66
High			\$2.80
Low			\$0.13

BPOL TAX RATES

- 81 Counties and Cities
- Slightly Higher than Median for Counties and Cities

City or County	Tax Rate per \$100 Sales/Purchases				
	Businesses Services	Financial Services	Mail Order	Retail	Wholesale
Amherst	\$0.31	\$0.50	\$0.31	None	None
Adjacent Localities					
Campbell	\$0.35	\$0.50	\$0.20	\$0.20	\$0.05
Lynchburg	\$0.36	\$0.58	\$0.20	\$0.20	\$0.28
All Cities and Counties					
Median	\$0.30	\$0.46	\$0.20	\$0.20	\$0.05
High	\$0.36	\$0.58	\$0.36	\$0.20	\$0.28
Low	\$0.05	\$0.02	\$0.03	\$0.05	\$0.02

MACHINERY AND TOOLS TAX

- 129 Counties and Cities Impose Tax
- 71% Assess Based on Age of Equipment
- Lower than Median for all Counties and Cities

	Tax Rate per \$100	Assessment Ratio %	Age of Machinery	Effective Tax Rate per \$100
Amherst County	\$2.00	25%	1+ years	\$0.50
Adjacent Localities				
Appomattox	\$3.35	17.3%	1+ years	\$0.58
Bedford	\$1.20	100%	Year 1	\$1.20
Bedford	\$1.20	5% reduction per yr.	2 to 15	
Bedford	\$1.20	25%	16+ years	\$0.30
Campbell	\$3.25	25%	1+ years	\$0.81
Lynchburg	\$3.00	30%	1-5 years	\$0.90
Lynchburg	\$3.00	25%	6+ years	\$0.76
All Cities and Counties*				
Median			Year 1	\$0.93
High			Year 1	\$4.00
Low			Year 1	\$0.05

*Effective Rate for first year

TANGIBLE PERSONAL PROPERTY TAX

- 132 Counties and Cities Impose Tax
- 84.1% Assess Based on Age of Property
- Lower than Median for all Counties and Cities in Year 1
- Higher than all but 10 for Oldest Property

TANGIBLE PERSONAL PROPERTY TAX

	Tax Rate per \$100	Assessment Ratio %	Age of Property - Years	Effective Tax Rate per \$100
Amherst County	\$3.45	30%	1+	\$1.04
Adjacent Localities				
Appomattox County	\$5.13	50%	1 to 5	\$2.57
	\$5.13	40%	6 to 10	\$2.05
	\$5.13	30%	11 to 15	\$1.54
	\$5.13	15%	16 +	\$0.77
Bedford County	\$1.70	100%	1	\$1.70
	\$1.70	5% reduction per yr.	2 to 15	
	\$1.70	25%	16 +	\$0.43
Campbell	\$4.45	25%	1 to 10	\$1.11
	\$4.45	15%	11 +	\$0.67
Lynchburg	\$3.80	30%	1 to 5	\$1.14
	\$3.80	25%	6 +	\$0.96
All Cities and Counties*				
Median			Year 1	\$1.76
High			Year 1	\$0.21
Low			Year 1	\$4.68

*Effective Rate for first year

BUSINESS TAX ANALYSIS

Key Findings

- **Local Tax Rates are Competitive Statewide and Regionally**
- **Top Business Concerns/Issues**
 - Merchants Capital Tax
 - Assessment Procedures – Constant Assessment % Over Time (M&T. Tangible Personal Property)
- **Merchants Capital Tax - Higher than the Median of all Counties and Cities**
- **M & T Tax – 71% of Localities Assess on Age of Equipment**
- **Tangible Person Property Tax – 84% of Localities Assess on Age of Property**

BUSINESS TAX RECOMMENDATIONS

- **Machinery and Tools and Tangible Personal Property Taxes** – Adopt schedules of declining assessment ratios (percentage of original market value) to account for depreciation by age of property.

BUSINESS TAX RECOMMENDATIONS

Machinery and Tools Tax – Assessment Schedule \$2.00/\$100 Tax Rate

Age of Equipment in Years	Assessment Ratio	Effective Tax Rate
1 to 5 Years	40%	\$0.80
6 to 10 Years	30%	\$0.60
11 to 15 Years	25%	\$0.50
16 to 20 Years	20%	\$0.40
21 Years +	15%	\$0.30

✓
schedule is a
starting point

➤ lowest
M&T tax
rate in region

BUSINESS TAX RECOMMENDATIONS

Tangible Personal Property Tax – Assessment Schedule Proposed \$2.00/\$100 Tax Rate

Age of Equipment in Years	Assessment Ratio	Effective Tax Rate
Year 1	100%	\$2.00
Year 2	90%	\$1.80
Year 3	80%	\$1.60
Year 4	70%	\$1.40
Year 5	60%	\$1.20
Year 6	50%	\$1.00
Year 7	40%	\$0.80
Year 8	30%	\$0.60
Year 9 +	20%	\$0.40

BUSINESS TAX RECOMMENDATIONS

Assessment Schedules

- Current Data Insufficient to Determine impact on Revenues
- Recommendation - Work with the Amherst County Commissioner of Revenue to devise a schedules of declining assessment ratios that would maintain revenue neutrality.

BUSINESS TAX RECOMMENDATIONS

- **Replace Merchants Capital Tax with BPOL Tax on Retailers and Wholesalers**
 - Merchants Capital Tax Revenue 2017 - \$291,429
 - BPOL Estimate
 - Retailers @ \$.20/\$100 sales - \$160,340
 - Wholesalers @ \$.05/\$100 purchases - \$35,000
- **Increase Machinery and Tools Tax**
 - Increase from \$2.00 to \$2.09/\$100 - \$100,000

BUSINESS TAX RECOMMENDATIONS

BPOL Impact on Small “Mom and Pop” Retailers

Options

1. **Raise the Gross Receipts Threshold from \$50,000 to \$100,000**
2. **Raise Gross Receipts Threshold – Raise Fee for Businesses below Threshold - \$10 to \$25**
3. **Create Sub-Category – “Rural Convenience Stores” – Tax at Lower Rate**
4. **Lower Tax Rate for Gross Receipts between \$50,000 and \$100,000**

BUSINESS TAX RECOMMENDATIONS

BPOL Impact on Small “Mom and Pop” Retailers

- **Current Data Insufficient to Determine impact on Revenues**
- **Recommendation - Work with the Amherst County Commissioner of Revenue to evaluate impact of options on revenues and maintain revenue neutrality.**

BUSINESS TAX ANALYSIS

Questions/Comments?

NOVEMBER 23, 2018

DRAFT

TAX POLICY ANALYSIS

PREPARED FOR AMHERST COUNTY, VIRGINIA



4201 DOMINION BOULEVARD, SUITE 114
GLEN ALLEN, VIRGINIA 23060
804-346-8446



About Mangum Solutions

Mangum Solutions is a joint venture of three well-known Virginia companies – Mangum Economics, Community Futures, and the RiverLink Group. In combination we provide a very specialized set of skills and experience that spans economic research and analysis, and applied application to economic and community development.

The Project Team

Neal Barber
President, Community Futures

Liz Povar
President, RiverLink

A. Fletcher Mangum, Ph.D.
Founder and CEO, Mangum Economics

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Executive Summary

The Amherst County Board of Supervisors asked the Economic Development Authority (EDA) to examine the County's reputation for being unfriendly to business and suggest changes to improve the business environment for both existing and new businesses in Amherst County. As a result of the Business Friendliness Initiative, the EDA recommended hiring a consultant to assess the County's current tax structure and make prioritized recommendations that provide a tax environment that encourages business stability, growth, and expansion. The EDA subsequently hired Mangum Solutions to perform that analysis.

Our primary findings from that analysis are:

1. Amherst County's tax rates on business are comparable or lower than neighboring localities, and counties and cities statewide.
2. Amherst County does not use a declining schedule of assessment ratios to compute Machinery and Tools Tax and the Tangible Personal Property Tax based on the age of the property being taxed. This places Amherst County in the small minority of counties and cities that use a constant assessment ratio regardless of the age of property.
3. Amherst County imposes a Merchants' Capital Tax on retailers and wholesalers in lieu of a BPOL Tax.

Based on those findings, we recommend that Amherst County consider:

1. Adopting a schedule of declining schedule of assessment ratios (a percentage of original market value) to decrease the taxable value of a business' machinery and tools and business tangible personal property to account for depreciation by age of property.
2. Replacing the Merchants' Capital Tax with a BPOL tax on retailers and wholesalers.
3. Slightly increasing the Machinery and Tools tax rate.

Introduction

The Amherst County Board of Supervisors asked the Economic Development Authority (EDA) to examine the County's reputation for being unfriendly to business and suggest changes to improve the business environment for both existing and new businesses in Amherst County. As a result of the Business Friendliness Initiative, the EDA recommended hiring a consultant to assess the County's current tax structure and make prioritized recommendations that provide a tax environment that encourages business stability, growth, and expansion. The EDA subsequently hired Mangum Solutions to perform that analysis. The following analysis details the results of that effort.

Comparative Tax Analysis

CURRENT AMHERST COUNTY BUSINESS TAXES

The business tax climate in Amherst County is primarily affected by five types of local taxes:

- Merchants' Capital Tax: Is a local tax on merchants' capital, usually defined as inventory on hand as of January 1. Pursuant to §58.1-3704 of the Code of Virginia, no locality may impose a merchant's capital tax if it also imposes a business license (BPOL) tax on retail merchants.
- Business License (BPOL) Tax: Is a local tax levied on the gross receipts of a business, trade, profession, or occupation. Localities have the option to impose the tax on some classifications of businesses, but not others. The BPOL tax is generally applied to business enterprises engaged in business services, financial services, mail order, retail trade, and wholesale trade.
- Machinery and Tools Tax: Is a local tax levied on the value of manufacturer's machinery and tools. To account for the depreciation of these assets over time, most localities in Virginia use a schedule of declining assessment ratios (a percentage of original market value) to decrease the taxable value of a business' machinery and tools based on the age of the asset.
- Tangible Personal Property: Is a local tax levied on the equipment and furnishings of business not subject to the Machinery and Tools Tax. To account for the depreciation of these assets over time, most localities in Virginia use a schedule of declining assessment ratios (a percentage of original market value) to decrease the taxable value of a business' equipment and furnishings based on the age of the asset.
- Real Estate: Is a local tax levied real property, usually defined as land and buildings.

Table 1 lists Amherst County's tax rates on businesses for 2017-18. In this table the "Rate" is Amherst County's or another locality's posted tax rate per \$100 of assessed value. The "Effective Rate" is used to account for the fact that different localities use to different assessment rates and to provide a uniform comparison between localities. It is calculated as the posted or "nominal" tax rate times the locality's assessment ratio. Because most Virginia localities use a declining schedule of assessment rates for machinery and tools and tangible personal property to account for the depreciation of those assets over time, the "Effective Rate" rate listed for the Machinery and Tools Tax and Tangible Personal Property tax is the locality's posted tax rate times its first-year assessment rate.

Table 1: Amherst County Tax Rates on Business 2017-18 (per \$100)

Tax	Rate	Assessment Ratio	Effective Tax Rate
Merchants' Capital	\$3.95	20%	\$0.79
BPOL (above \$50,000)			
Contractors	\$0.13		
Retailers	None		
Mail Order	\$0.31		
Warehousing/Distribution	None		
Financial Services	\$0.50		
Business Services	\$0.31		
BPOL (Below \$50,000)	\$10.00		
Machinery and Tools	\$2.00	25%	\$0.50
Tangible Personal Property	\$3.45	30%	\$1.04
Real Estate	\$0.61	98%	\$0.60

Table 2 lists the effective tax rates for the neighboring counties and city. Amherst County ranks lowest (green colored font) in five categories and highest (red colored font) in only one category (taxation on non-manufacturers tangible personal property over 16 years of age) for all business taxes analyzed. Overall, Amherst has a very favorable tax climate for businesses.

Table 2: Central Virginia Counties and City FY 2017-2018 Effective Tax Rates

Tax / Age of Property	Effective Tax Rate				
	Amherst	Appomattox	Bedford	Campbell	Lynchburg
Merchants' Capital	\$0.79	\$0.85	\$0.22	None	None
Business License (BPOL)					
Retail	None	None	None	\$0.20	\$0.20
Wholesale/ Distribution	None	None	None	\$0.05	\$0.28
Financial Services	\$0.50	None	None	\$0.50	\$0.58
Business Services	\$0.31	None	None	\$0.35	\$0.36
Machinery and Tools					
Non-manufactures Tangible Personal Property					
Year 1	\$1.04	\$2.57	\$1.70	\$1.11	\$1.14
Year 6	\$1.04	\$2.05	\$1.28	\$1.11	\$0.96
Year 11	\$1.04	\$1.54	\$0.85	\$0.67	\$0.96
Year 16 +	\$1.04	\$0.77	\$0.43	\$0.67	\$0.96
Real Estate	\$0.60	\$0.64	\$0.51	\$0.48	\$1.06
Year 1	\$0.50	\$0.85	\$1.20	\$0.81	\$0.90
Year 6	\$0.50	\$0.85	\$0.90	\$0.81	\$0.76
Year 16 +	\$0.50	\$0.85	\$0.30	\$0.81	\$0.76
Highest					
Lowest					

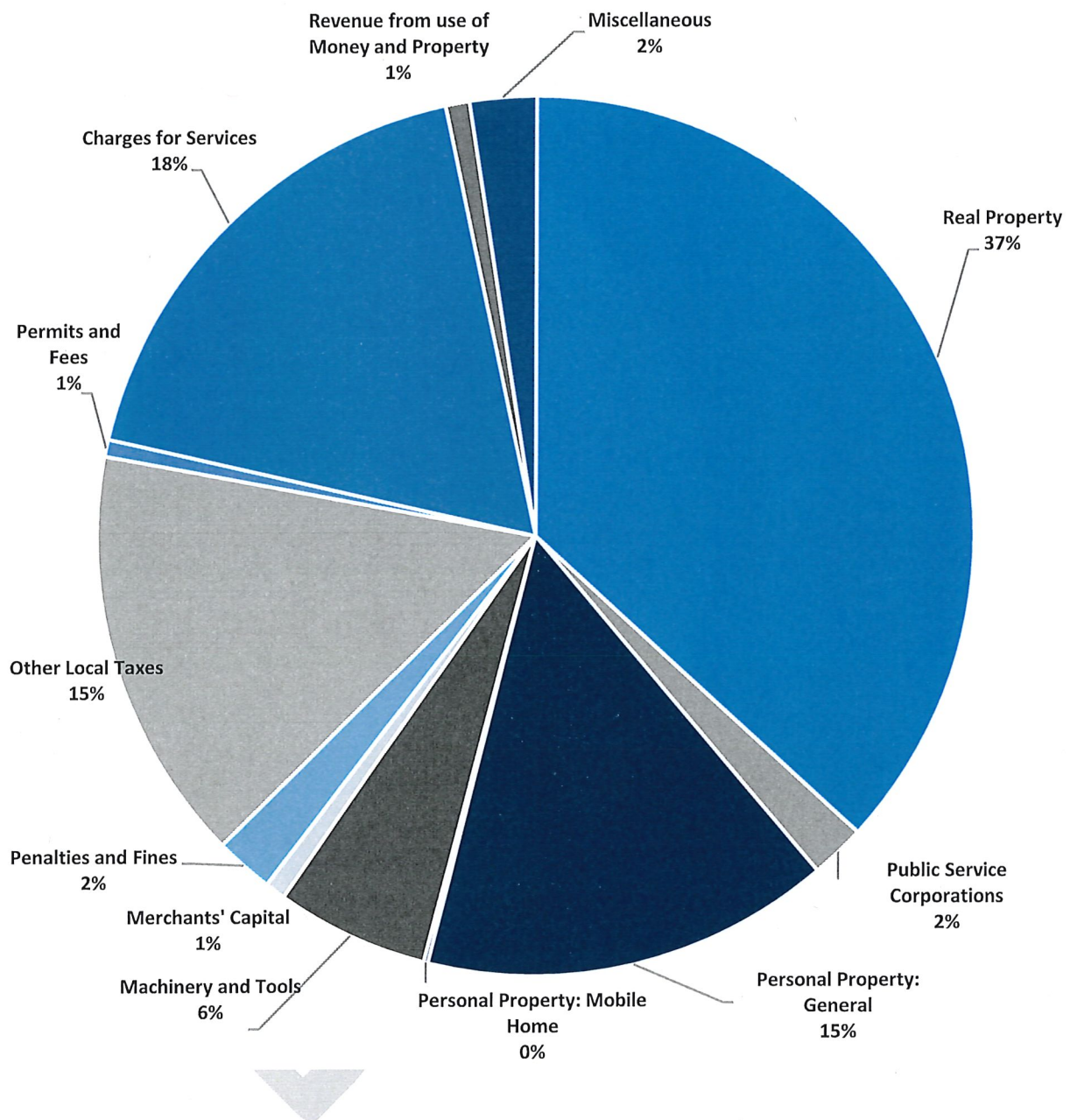
REVENUE SOURCES

In this portion of the section, we provide a look at Amherst County's overall sources of business and non-business tax revenue (see Figure 1), and benchmark the relative size of those revenue streams against all Virginia counties (see Figure 2). The data used for this analysis are for FY 2017 (the most recent year for which data are available) and come from the Virginia Auditor of Public Accounts.

A comparison of these two charts reveals a few key differences:

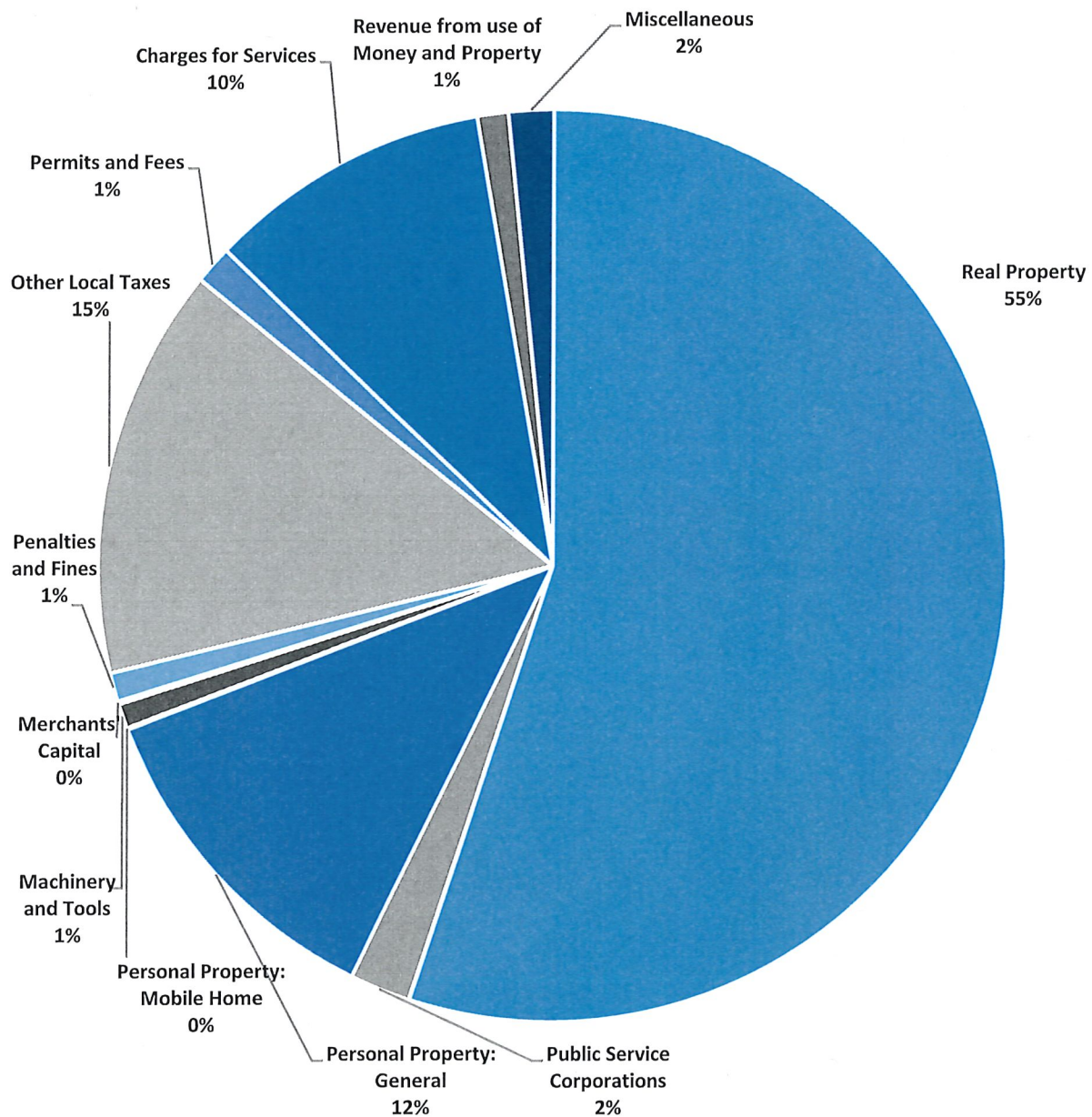
- **Merchants' Capital Tax:** Where Amherst County derives 1 percent of its overall revenue from this tax, the average across all Virginia counties (which included counties that do not impose this tax) was less than 1 percent.
- **Machinery and Tools:** Where Amherst County derives 6 percent of its overall revenue from this tax, the average across all Virginia counties (which included counties that do not impose this tax) was 1 percent.
- **Real Property:** Where Amherst County derives 37 percent of its overall revenue from this tax, the average across all Virginia counties was less than 55 percent.

Figure 1: FY 2017 Revenue Sources – Amherst County¹



¹ Data Source: Virginia Auditor of Public Accounts.

Figure 2: FY 2017 Revenue Sources – All Virginia Counties²



² Data Source: Virginia Auditor of Public Accounts.

REVENUE GROWTH

In this portion of the section, we review recent trends in the year-over-year change in revenue from Amherst County's local business taxes and again benchmark those trends against the average for all Virginia counties.

A quick review of Figures 3 through 7 demonstrates the following:

- Merchants' Capital Tax: The year-over-year growth in Amherst County's revenue from this tax varies significantly. However, it was minus 6.8 percent in FY 2017 as compared to plus 6.1 percent on average across all Virginia counties.
- Business License (BPOL) Tax: The BPOL Tax is only reported by the Virginia Auditor of Public Accounts as part of a broader category of "Other Taxes." Along with the BPOL Tax, this category also includes the local portion of the sales and use tax, hotel and motel room taxes, restaurant and food taxes, tobacco taxes, admission taxes, and others. The year-over-year growth in Amherst County's revenue from this group of taxes also varies significantly, but was positive in each of the last five years. In FY 2017, Amherst County revenues from this group of taxes increased by 2.0 percent as compared to 6.0 percent on average across all Virginia counties.
- Machinery and Tools Tax: The year-over-year growth in Amherst County's revenue from the Machinery and Tools Tax was positive in each of the last five years. In FY 2017, Amherst County revenues from the Machinery and Tools Tax increased by 10.1 percent as compared to 2.4 percent on average across all Virginia counties. This tax primarily falls on manufacturers and manufacturing is an important part of the County's economy. Where this sector accounts for less than 6 percent of total employment statewide, in Amherst County it accounts for 16 percent and is the County's second largest employment sector.
- Tangible Personal Property: The Tangible Personal Property Tax is only reported by the Virginia Auditor of Public Accounts as part of a broader category of "General Personal Property Taxes," which includes both business and non-business personal property. The year-over-year growth in Amherst County's revenue from this category of taxes also varies significantly. In FY 2017, Amherst County revenues from this category of taxes increased by 5.6 percent as compared to 9.1 percent on average across all Virginia counties.
- Real Estate: The Real Property Tax is only reported by the Virginia Auditor of Public Accounts as part of a broader category that includes both business and non-business real property. The year-over-year growth in Amherst County's revenue from this category of taxes was 8.9 percent as compared to 4.6 percent on average across all Virginia counties.

Figure 3: Year-Over-Year Change in Merchants Capital Tax Revenue³

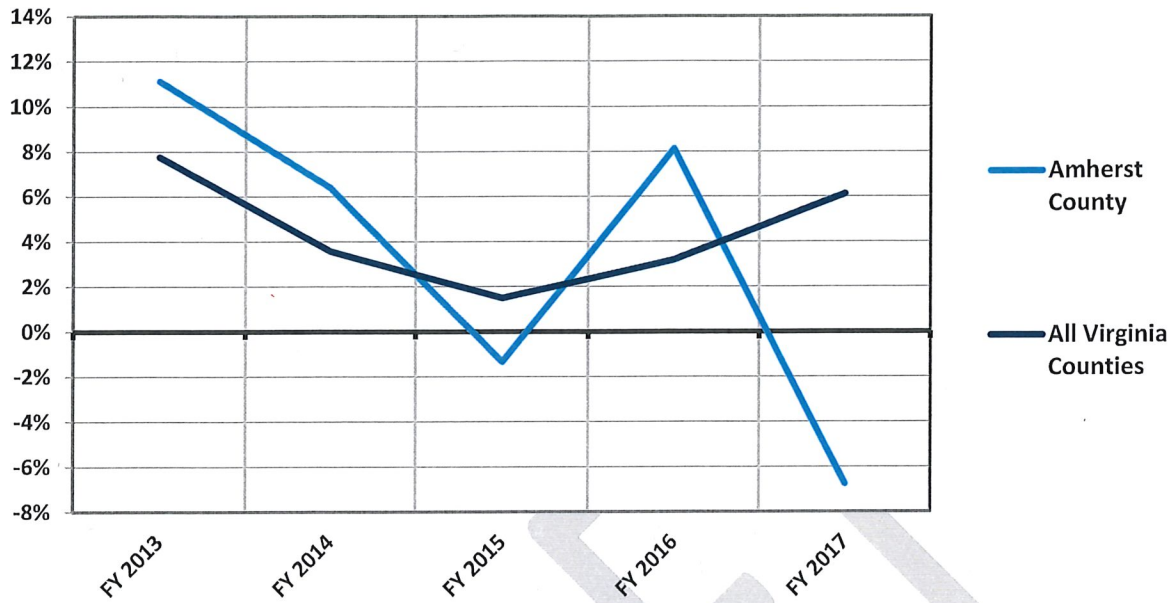
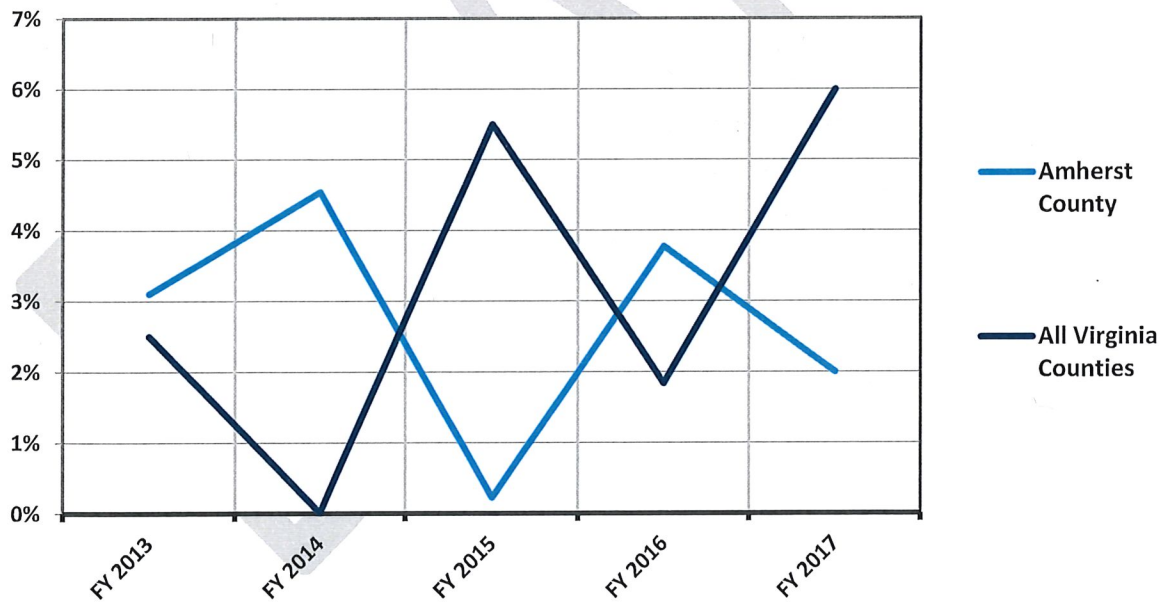


Figure 4: Year-Over-Year Change in Other Tax Revenue⁴



³ Data Source: Virginia Auditor of Public Accounts.

⁴ Data Source: Virginia Auditor of Public Accounts.

Figure 5: Year-Over-Year Change in Machinery and Tools Tax Revenue⁵

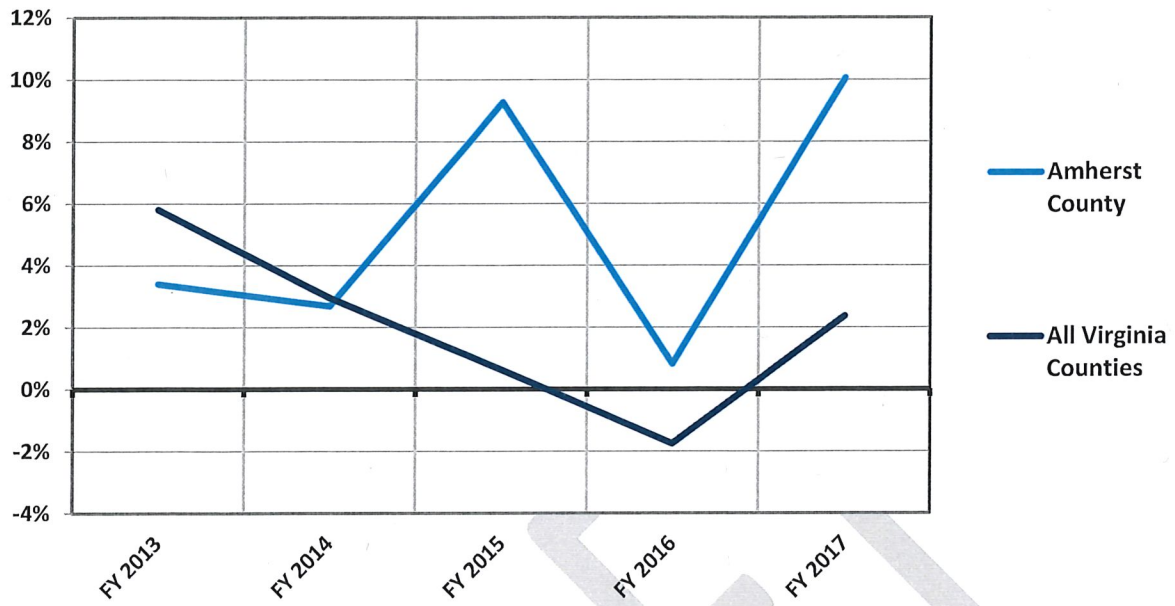
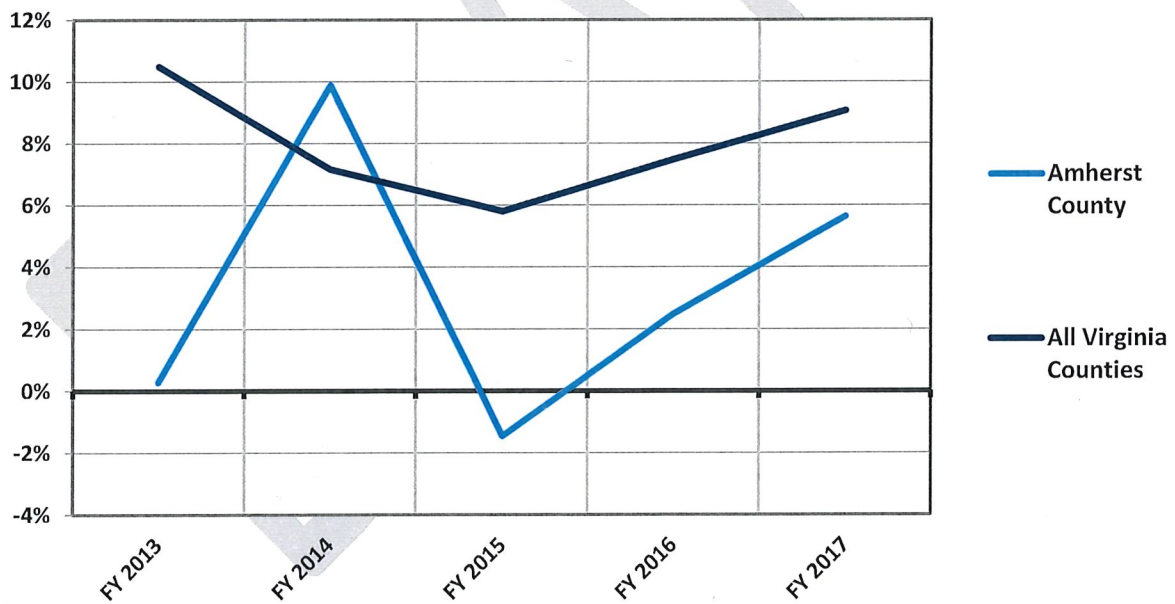


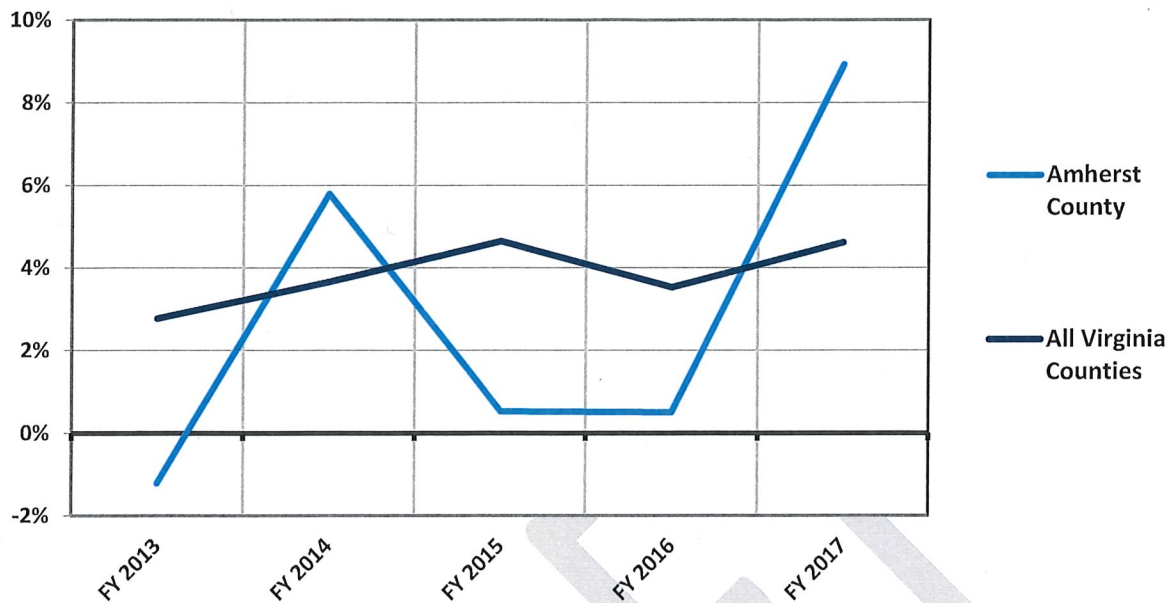
Figure 6: Year-Over-Year Change in General Personal Property Tax Revenue⁶



⁵ Data Source: Virginia Auditor of Public Accounts.

⁶ Data Source: Virginia Auditor of Public Accounts.

Figure 7: Year-Over-Year Change in Real Property Tax Revenue⁷



DETAILED ANALYSIS OF INDIVIDUAL BUSINESS TAXES

In this portion of the section, we provide a more detailed look at each of the five local taxes that affect Amherst County's business climate.

Merchants' Capital Tax

Amherst County is one of 48 counties that impose a Merchants' Capital Tax. According to Section 58.1-3704 of the Code of Virginia, no locality that imposes a Merchants' Capital Tax may also subject retail or wholesale merchants to a Business License (BPOL) Tax. The County's effective Merchants' Capital Tax Rate was \$0.79 in FY 2017-2018. Going from lowest to highest, this effective tax rate ranks 33rd among the counties that have a Merchants' Capital Tax (only 15 counties have a higher effective Merchants' Capital Tax rate than Amherst County). Among regional localities, Amherst County's rate is higher than Bedford County's, but lower than Appomattox County's.

Merchants' Capital Tax revenues in Amherst County were \$0.3 million in FY 2016-2017 and accounted for 0.8 percent of total revenue in the County. This percentage is below the average for all counties in Virginia that year, which was 0.1 percent, although it is important to realize that average is inclusive of counties that do not have a Merchants' Capital Tax.

⁷ Data Source: Virginia Auditor of Public Accounts.

Table 3: Virginia Counties FY 2017-2018 Effective Merchants' Capital Tax Rates

- 48 counties impose the tax

	Tax Rate per \$100	Assessment Ratio %	Effective Tax Rate per \$100
Amherst County	\$3.95	20%	\$0.79
Adjacent Localities			
Appomattox County	\$1.00	85%	\$0.85
Bedford County	\$0.22	100%	\$0.22
All Cities and Counties			
Median			\$0.66
High			\$2.80
Low			\$0.13

Business License (BPOL) Tax

Amherst County is one of 81 cities and counties that have a Business License (BPOL) Tax. BPOL taxes are typically applied to five classes of business: 1) Business Services, 2) Financial Services, 3) Mail Order, 4) Retail Merchants, and 5) Wholesale Merchants. However, pursuant to Section 58.1-3704 of the Code of Virginia no locality that imposes a Merchants' Capital Tax may also subject retail or wholesale merchants to a BPOL Tax. In FY 2017-2018, Amherst County's BPOL Tax rate for Business Services was \$0.31, for Financial Services \$0.50, and for Mail Order \$0.31. In adherence to Section 58.1-3704 of the Code of Virginia, Amherst County did not level a BPOL tax on retailers or wholesalers.

BPOL Tax revenues in Amherst County were \$0.4 million in FY 2016-2017 and accounted for 1.0 percent of total revenue in the County. This percentage is below the average for all counties in Virginia that year, which was 2.9 percent, and it is important to realize that average is inclusive of counties that do not have a BPOL Tax.

Table 4: Virginia Counties and Cities FY 2017-2018 Effective Business License Tax Rates

- 81 cities and counties impose the tax

Tax Rate per \$100 Sales/Purchases					
City or County	Businesses Services	Financial Services	Mail Order	Retail	Wholesale
Amherst	\$0.31	\$0.50	\$0.31	None	None
Adjacent Localities					
Campbell	\$0.35	\$0.50	\$0.20	\$0.20	\$0.05
Lynchburg	\$0.36	\$0.58	\$0.20	\$0.20	\$0.28
All Cities and Counties					
Median	\$0.30	\$0.46	\$0.20	\$0.20	\$0.05
High	\$0.36	\$0.58	\$0.36	\$0.20	\$0.28
Low	\$0.05	\$0.02	\$0.03	\$0.05	\$0.02

Machinery and Tools Tax

Amherst County is one of 129 Virginia cities and counties that levy a Machinery and Tools Tax on manufacturers. The County's effective Machinery and Tools Tax Rate was \$0.50 in FY 2017-2018. However, it is hard to compare Machinery and Tools Tax Rates across localities because most – 69 percent – of the localities that have a Machinery and Tools Tax use a schedule of declining assessment ratios (a percentage of original market value) to decrease the taxable value of a business' machinery and tools based on the age of the asset. Amherst County is one of only 38 localities (out of the 129 counties and cities that have a Machinery and Tools Tax) that uses a constant assessment ratio regardless of the age of the machinery.

Machinery and Tools Tax revenues in Amherst County were \$2.2 million in FY 2016-2017 and accounted for 5.7 percent of total revenue in the County. This percentage is above the average for all counties in Virginia that year, which was 0.9 percent, although it is important to realize that average is inclusive of counties that do not have a Machinery and Tools Tax.

Table 5: Virginia Counties and Cities FY 2017-2018 Effective Machinery & Tools Tax Rates

- 129 cities and counties impose the tax
- 4 localities do not impose the tax (Middlesex County, Rappahannock County, Stafford County, City of Virginia Beach)
- 38 localities do not assess based on age of machinery

	Tax Rate per \$100	Assessment Ratio %	Age of Machinery	Effective Tax Rate per \$100
Amherst County	\$2.00	25%	1+ years	\$0.50
Adjacent Localities				
Appomattox	\$3.35	17.3%	1+ years	\$0.58
Bedford	\$1.20	100%	Year 1	\$1.20
Bedford	\$1.20	5% reduction per yr.	2 to 15	
Bedford	\$1.20	25%	16+ years	\$0.30
Campbell	\$3.25	25%	1+ years	\$0.81
Lynchburg	\$3.00	30%	1-5 years	\$0.90
Lynchburg	\$3.00	25%	6+ years	\$0.76
All Cities and Counties*				
Median			Year 1	\$0.93
High			Year 1	\$4.00
Low			Year 1	\$0.05

*Effective Rate for first year

Business Tangible Personal Property Tax

All but one of Virginia's 133 cities and counties impose a Tangible Personal Property Tax on non-manufacturers. Amherst County's effective Tangible Personal Property Tax was \$1.04 in FY 2017-2018. It is hard to compare effective tax rates across localities since the vast majority – 85 percent – of the localities that have a Tangible Personal Property Tax use a schedule of declining assessment ratios (a percentage of original market value) to decrease the taxable value of a business' machinery and tools based on the age of the asset. However, it is important to note that going from lowest to highest Amherst County's effective tax rate ranks only 25th among the initial effective rates imposed by the 132 cities and counties impose a Tangible Personal Property Tax.⁸ Amherst County is one of only 21 localities that uses a constant assessment ratio regardless of the age of the tangible personal property.

According to data from the Amherst County Commissioner of revenue, Tangible Personal Property Tax revenues in Amherst County were \$0.9 million in FY 2017-2018 and accounted for approximately 2.0

⁸ Based on a comparison of effective tax rates for the first year that property is put into service.

percent of total revenue in the County. Because data available from the Virginia Auditor of Public Accounts do not segregate tangible personal property from all personal property, we are unable to provide a comparison between Amherst County and other Virginia localities on the relative importance of this revenue stream.

Table 6: Virginia Counties and Cities FY 2017-2018 Effective Business Tangible Personal Property Tax

- 132 localities impose the tax
- 3 localities do not impose the tax (Rappahannock County, Stafford County, City of Virginia Beach)
- 21 localities do not assess based on age of tangible personal property

	Tax Rate per \$100	Assessment Ratio %	Age of Property - Years	Effective Tax Rate per \$100
Amherst County	\$3.45	30%	1+	\$1.04
Adjacent Localities				
Appomattox County	\$5.13	50%	1 to 5	\$2.57
	\$5.13	40%	6 to 10	\$2.05
	\$5.13	30%	11 to 15	\$1.54
	\$5.13	15%	16 +	\$0.77
Bedford County	\$1.70	100%	1	\$1.70
	\$1.70	5% reduction per yr.	2 to 15	
	\$1.70	25%	16 +	\$0.43
Campbell	\$4.45	25%	1 to 10	\$1.11
	\$4.45	15%	11 +	\$0.67
Lynchburg	\$3.80	30%	1 to 5	\$1.14
	\$3.80	25%	6 +	\$0.96
All Cities and Counties*				
Median			Year 1	\$1.76
High			Year 1	\$0.21
Low			Year 1	\$4.68

*Effective Rate for first year

Real Estate Tax

All of Virginia's 133 cities and counties impose a Real Estate Tax. Amherst County's effective Real Estate Tax Rate was \$0.60 in FY 2017-2018. Going from lowest to highest, this effective tax rate ranks 40th among the counties and cities that have a Real Estate Tax. Among regional localities, Amherst County's rate is higher than Bedford County's and Campbell County's, but lower than Appomattox County's and the City of Lynchburg's.

Real Estate Tax revenues in Amherst County were \$14.2 million in FY 2016-2017 and accounted for 36.8 percent of total revenue in the County. This percentage is below the average for all counties in Virginia that year, which was 55.0 percent.

Table 7: Virginia Counties and Cities FY 2017-2018 Effective Real Estate Tax Rates

- 133 cities and counties impose the tax

Locality	Effective Tax Rate
Amherst	\$0.60
Adjacent Localities	
Appomattox	\$0.64
Bedford	\$0.51
Campbell	\$0.48
Lynchburg	\$1.06
All Cities and Counties	
Median	\$0.73
High	\$1.44
Low	\$0.36

Policy Analysis

KEY FINDINGS

The key findings from the preceding analysis of taxes on businesses in Amherst County as compared to neighboring localities in the Central Virginia area, and cities and counties statewide are:

1. Amherst County's tax rates on business are comparable or lower than neighboring localities, and counties and cities statewide.
2. Amherst County does not use a declining schedule of assessment ratios to compute Machinery and Tools Tax and the Tangible Personal Property Tax based on the age of the property being taxed. This places Amherst County in the small minority of counties and cities that use a constant assessment ratio regardless of the age of property.
3. Amherst County imposes a Merchants' Capital Tax on retailers and wholesalers in lieu of a BPOL Tax.

In addition to the preceding empirical analysis, these findings are further supported by recent surveys of local businesses that cited the Merchants' Capital Tax and the fixed assessment ratios for Machinery and Tools Tax and Business Tangible Personal Property Tax as key issues.

RECOMMENDATIONS

Based on these findings, we make the following recommendations for improving the tax environment for current and prospective Amherst County businesses, while still maintaining revenue neutrality (no net gain or loss of revenues):

1. Adopt a schedule of declining schedule of assessment ratios (a percentage of original market value) to decrease the taxable value of a business' machinery and tools and business tangible personal property to account for depreciation by age of property.
2. Replace the Merchants' Capital Tax with a BPOL tax on retailers and wholesalers.
3. Slightly increase the Machinery and Tools tax rate.

Merchants' Capital Tax Repeal

The repeal of the Merchants' Capital tax will likely result in a loss of approximately \$290,000 in annual tax revenue for Amherst County. We recommend partly offsetting that revenue loss by extending the BPOL tax to cover retailers and wholesalers.

We estimate that the application of the BPOL tax to retailers at a rate \$0.20 per \$100 of sales would yield approximately \$160,000 in tax revenue annually. This rate is identical to the rate used by the two adjacent localities that levy a BPOL tax on retailers (Campbell County and the City of Lynchburg), the

median rate charged by Virginia localities, and the rate charged by 46 of the 78 Virginia localities that impose a BPOL tax on retailers.

We also estimate that the application of the BPOL tax to wholesalers at a rate \$0.05 per \$100 of sales would yield approximately \$35,000 in tax revenue annually. This rate is at or below the rate used by the two adjacent localities that levy a BPOL tax on retailers (Campbell County and the City of Lynchburg), the median rate charged by Virginia localities, and the rate charged by all but 9 of the 74 Virginia localities that impose a BPOL tax on wholesalers.

In order to maintain revenue neutrality, we further recommend raising Amherst County's current Machinery and Tools Tax rate from \$2.00 to \$2.09 per \$100 of assessed value, thereby increasing the County's effective Machinery and Tools Tax rate from \$0.50 to \$0.52. This effective rate is at or below the first-year rate used by all adjacent localities that levy a Machinery and Tools Tax, the median rate charged by Virginia localities, and the rate charged by all but 18 of the 129 Virginia localities that impose a Machinery and Tools Tax. We estimate that this change will generate approximately \$100,000 in tax revenue annually.

Recommendation

- **Repeal the Merchants' Capital Tax.**
- **Apply the BPOL tax to retailers and wholesalers.**
- **Increase the Machinery and Tools nominal tax rate from \$2.00 to \$2.09 per \$100 of assessed value, thereby increasing the County's effective Machinery and Tools Tax rate from \$0.50 to \$0.52.**

Concern has been expressed, however, that applying the BPOL tax to small, mom and pop, retailers would create a significant financial hardship on those businesses. Currently, businesses in Amherst County with gross receipts of less than \$50,000 are not subject to BPOL Tax and simply pay an annual business license fee of \$10. The County has at its disposal at least four options for mitigating this impact should it so choose:

1. Raise the current \$50,000 threshold for the County BPOL Tax to \$100,000 as permitted by Section 58.1-3706 of the Code of Virginia. This would exclude smaller businesses with gross receipts of less than \$100,000 from being subject to the BPOL Tax.
2. Create a sub-category of retail establishments, such as convenience stores, that would be subject to a BPOL tax rate of less than \$0.20 per \$100 of sales.
3. Apply a BPOL rate of \$0.20 per \$100 of sales for gross receipts above a \$100,000 threshold, and a rate of less than \$0.20 per \$100 of sales for gross receipts between \$50,000 and \$100,000.
4. Increase the license fee for businesses with gross sales below the threshold for the BPOL Tax from its current \$10 to a figure below the \$50 upper limit mandated by Section 58.1-3803 of the

Code of Virginia. This option could serve to mitigate any revenue loss generated by options one through three.

Currently available data on the number and size (gross sales) of retailers in Amherst County are not sufficient to make an estimate of the impact that any of these options would have on the County's future BPOL Tax receipts and would require the assistance of the Amherst County Commissioner of Revenue to further evaluate.

Recommendation

- **Work with the Amherst County Commissioner of the Revenue to further evaluate the incidence and impact of options for mitigating any unfair burden on small businesses that might be created as a result of extending the BPOL Tax to retailers.**

Machinery and Tools Assessment Schedule

Amherst County is one of just 38 localities that apply a constant assessment ratio to the valuation of machinery and tools. Manufacturers and other businesses subject to this tax have indicated in surveys that it would be fairer to reduce the taxable value of the property over time to reflect its depreciation. The Machinery and Tools assessment ratio for new property could be assessed at full value and then reduced over time to reflect its depreciation. The rate of reduction in the later years could be offset by the higher assessment ratio for newer property.

Currently available data on the age of existing machinery and tools assets are not adequate to determine the exact schedule of declining assessment ratios that would be required to maintain revenue neutrality. Although the schedule of declining assessment ratios used by Virginia localities varies significantly, the table below provides a typical example based on Amherst County's current posted Machinery and Tools Tax rate of \$2.00 per \$100 of assessed value.

Age of Equipment in Years	Assessment Ratio	Effective Tax Rate
1 to 5 Years	40%	\$0.80
6 to 10 Years	30%	\$0.60
11 to 15 Years	25%	\$0.50
16 to 20 Years	20%	\$0.40
21 Years +	15%	\$0.30

Recommendation

- **Adopt a schedule of declining assessment ratios (a percentage of original market value) to decrease the taxable value of a business' machinery and tools based on the age of the asset.**
- **Work with the Amherst County Commissioner of Revenue to devise a schedule of declining assessment ratios that would maintain revenue neutrality.**

Business Tangible Personal Property Tax Assessment Schedule

Amherst County is one of just 21 localities that apply a constant assessment ratio to the valuation of tangible personal property of non-manufacturers. Businesses subject to this tax believe that it would be fairer to reduce the value of the tangible personal property over time to reflect its depreciation. The tangible personal property assessment ratio for new property could be assessed at full value or close to full value and then reduced over time to reflect its depreciation. The rate of reduction in the later years could be offset by the higher assessment ratio for newer property.

Currently available data on the age of existing business tangible personal property are not adequate to determine the exact schedule of declining assessment ratios that would be required to maintain revenue neutrality. Although the schedule of declining assessment ratios used by Virginia localities varies significantly, the table below provides a typical example based on a hypothetical posted Machinery and Tools Tax rate of \$2.00 per \$100 of assessed value.⁹

Age of Equipment in Years	Assessment Ratio	Effective Tax Rate
Year 1	100%	\$2.00
Year 2	90%	\$1.80
Year 3	80%	\$1.60
Year 4	70%	\$1.40
Year 5	60%	\$1.20
Year 6	50%	\$1.00
Year 7	40%	\$0.80
Year 8	30%	\$0.60
Year 9 +	20%	\$0.40

Recommendation:

- Adopt an assessment ratio for the Business Tangible Personal Property Tax that decreases over time to more accurately reflect depreciation.

⁹ In this example, we use a hypothetical tax rate of \$2.00 per \$100 of assessed value, as opposed to Amherst County's current rate of \$3.45 per \$100 of assessed value.

Conclusion

The preceding presents a comprehensive analysis of Amherst County's business tax climate and makes recommendations for improving the County's business friendliness based on available existing data. It also identifies those areas where additional data would be necessary before informed recommendations could be made.

DRAFT