

Town of Windsor

Memorandum

January 10, 2017

TO: The Honorable Mayor and Town Council
FROM: Michael Stallings, Town Manager *MS*
SUBJECT: Machinery and Tools Tax

As you may remember from the September Town Council meeting, we discussed the fact that Isle of Wight County (IOW) was in the process of changing its valuation method for machinery and tools tax. Since that time, Isle of Wight has made those changes.

Previously machinery and tools were assessed at 100% of their purchase price with no depreciation. IOW had two appraisals done that indicated that their previous method of valuation exceeded the fair market value for the items that were being taxed. The Virginia Constitution requires localities to assess machinery and tools at a fair market value. This is what led IOW to reduce their assessments to 60% of the purchase price on all machinery and tools. Due to the fact that the machinery and tools were assessed at a value over fair market value, IOW, as well as both Towns, are obligated to repay the amount of overpayment for the past three years.

For the Town of Windsor the amount of credits is \$2,626.72 including interest. We have evaluated the best place to fund these reimbursements and have determined that appropriating these funds from the Unappropriated Fund Balance of the General Fund is the most appropriate method. As such, I have enclosed a resolution to appropriate these funds so that we can make the appropriate reimbursements.

As we discussed in September, we will adjust our machinery and tools tax as part of the upcoming budget process. As you may remember, the Commissioner of Revenue for Isle of Wight has indicated that we need to increase our machinery and tools tax rate from its current \$0.10 per \$100 of value to \$0.25 per \$100 of value to remain revenue neutral. This will cause no increase in taxes for those currently paying Machinery and Tools Tax to the Town.

Recommended Motion

Move that Council adopt the enclosed resolution entitled:

A Resolution Appropriating The Sum Of
\$2,626.72 From The Unappropriated Fund
Balance Of The General Fund To The 2016-17
General Fund Operating Budget

Resolution

A Resolution Appropriating The Sum Of \$2,626.72 From The Unappropriated Fund Balance Of The General Fund To The 2016-17 General Fund Operating Budget

WHEREAS, the Town Council of the Town of Windsor relies on the Isle of Wight County Commissioner of the Revenue for all property and real estate assessments, and;

WHEREAS, the Commissioner of the Revenue has recently changed the valuation method for machinery and tools for all of Isle of Wight County, and;

WHEREAS, this change in valuation has resulted in a repayment of overpaid machinery and tools taxes for the past three fiscal years, and;

WHEREAS, funds need to be appropriated from the Unappropriated Fund Balance of the General Fund to cover these repayments, and;

NOW, THEREFORE BE IT RESOLVED by the Council of the Town of Windsor, Virginia as follows:

Section 1. That the sum of \$2,626.72 from the Unappropriated Fund Balance of the General Fund, be, and the same hereby is, appropriated to the Contingency line item in the 2016-17 General Fund Operating Budget:

Section 2. The Town Manager is hereby authorized and directed to make all necessary repayments for overpaid machinery and tools taxes for the past three fiscal years.

Section 3. This resolution shall be in effect on and after its adoption.

Adopted: January 10, 2017

TESTE:

Town Clerk