

Daniel R. O'Donnell
County Administrator

County of Roanoke

Memo

To: Roanoke County Board of Supervisors

From: Daniel R. O'Donnell, County Administrator

Date: December 15, 2021

Subject: Fiscal Year 2023 Budget Memo #1: Responses to Questions from December 14, 2021 Real Estate Assessment and Economic Conditions Briefing



At a meeting with the Board of Supervisors on Tuesday, December 14, 2021 during the 2022 Real Estate Assessment briefing, Supervisor Mahoney asked about the history of the Price Related Differential (PRD) and whether a PRD of 1.004% is of concern. Supervisor North asked about current trends in sales tax revenue.

Price Related Differential (PRD)

The Price Related Differential (PRD) is a measure of vertical equity. It measures the equity between low value and high value properties. A PRD greater than one implies that higher priced properties have lower average assessment ratios than lower priced homes. The International Association of Assessing Officers (IAAO) sets a standard of between 0.98% and 1.03% for the PRD. Roanoke County has consistently been within this range over the past nine years as shown in the table below which means assessments are both accurate and equitable regardless of real estate sales prices.

Roanoke County Real Estate Assessment Price Related Differential (PRD) History								
2014	2015	2016	2017	2018	2019	2020	2021	2022
1.025%	1.016%	1.012%	1.018%	0.998%	1.006%	1.005%	1.001%	1.004%

Sales Tax Revenue Trends

The sales tax rate for the Commonwealth of Virginia is 5.3%. Of this, 4.3% remains with the state while 1.0% of sales tax revenue is received by localities. Roanoke County shares sales tax revenue with the Town of Vinton in proportion to the Town population out of the total County population. Currently, Roanoke County shares 8.64% of the sales tax revenues

received with the Town of Vinton leaving 91.36% with the County. The 1% projected sales tax revenue for the County of Roanoke Fiscal Year 2021-2022 is \$12.2 million.

Sales tax revenue has increased in the past few years due to continued high consumer spending and the collection of internet sales tax which began in Fiscal Year 2019. The first year with a full year of internet sales tax revenue collection was in Fiscal Year 2020. A comparison of Roanoke County sales tax from Fiscal Year 2020 to Fiscal Year 2021 is shown in the table below.

Roanoke County Sales Tax FY 2020 to FY 2021			
FY 2020	FY 2021	\$ Increase	% Increase
\$12,101,531	\$12,941,172	\$839,641	6.94%

Sales tax revenues are trending higher when comparing the first four months of sales tax revenues from both Fiscal Year 2021 and Fiscal Year 2022 as shown in the table below.

Roanoke County Sales Tax First Four Months of FY 2021 to First Four Months of FY 2022			
FY 2021	FY 2022	\$ Increase	% Increase
\$4,182,506	\$4,387,537	\$205,031	4.90%

Meaningful revenue projections are premature at this point in the fiscal year but collections to date and economic conditions indicate continued growth throughout Fiscal Year 2022 and into Fiscal Year 2023. A work session will be held on January 25, 2022 for a mid-year revenue and expenditure update.

If you have any additional questions, please contact Laurie Gearheart, Director of Finance & Management Services at 540-283-8126 or lgearheart@roanokecountyva.gov.

- cc: Rebecca Owens, Assistant County Administrator
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