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Commissioner of the Revenue

"Providing Superior Service and Quality to the Citizens of Norfolk"

Mission Statement

We are the chief tax assessor for the City of Norfolk.

We provide superior service and quality in the:

- ◆ Assessment of individual and business personal property;
- ◆ Issuance and renewal of business licenses;
- ◆ Administration of all fiduciary taxes;
- ◆ Evaluation of customer compliance;
- ◆ Assistance and processing of Virginia State Income Taxes;
- ◆ Investigation of inquiries and delinquent accounts; and
- ◆ Assistance with Real Estate Tax Relief.

We provide these services for the Citizens of Norfolk and to aid in the continued growth of our community.

Commissioner of the Revenue

"Providing Superior Service and Quality to the Citizens of Norfolk"

History of the Office

The primary responsibility of this office is the assessment of City and State taxes. The Commissioner of the Revenue holds office as an agent for the state, as well as the local government, and is the assessing officer on the local level for those taxes as prescribed by State law and City Ordinance.

The office of the Commissioner of the Revenue was provided for in Virginia's Constitution in 1869. By 1906, the General Assembly had made it an appointive office, to be appointed by the local court. A Constitutional Amendment in 1910, changed the appointive method to elective for a four year term. In 1926, the General Assembly reduced the number of county Commissioners to one per county, conforming to the cities, making a total of one hundred and thirty four. In 1932, the General Assembly set up the basis of compensation for Commissioners, with both the State and City participating.

Your Commissioner of the Revenue Office provides service and assistance to citizens and businesses on tax-related issues. Norfolk citizens use this office and depend on it to assist them with both State and City tax-related concerns. As a bridge between our City Council members and our State Legislators, this office serves to protect the City and the taxpayers. A key responsibility of your Commissioner of the Revenue is to keep abreast of, and to lobby for, or against, legislative issues as they impact our city's revenues.

Duties of the Office

The Commissioner of the Revenue is the Assessor of all City taxes, except Real Estate, and of certain State Taxes as outlined in Section 58.1-3100 through 58.1-3122 of the Virginia Code.

Commissioner's duties as specified by Virginia State and Norfolk City Code:

- ASSESS ALL BUSINESS AND PERSONAL PROPERTY
- CLASSIFY AND ISSUE BUSINESS LICENSES
- PROCESS STATE INCOME TAX RETURNS
- ASSESS ALL LOCAL FIDUCIARY TAXES

Commissioner's additional duties:

- 1) Administrator of Food and Beverage, Lodging, Admission, Short-Term Rental and Cigarette taxes
- 2) Administrator of Personal Property Tax Relief Compliance Program
- 3) Administrator of Senior Citizens Real Estate Tax Relief Program and General Real Estate Tax Deferral Program
- 4) Provider of DMV Select Services
- 5) Administrator of Residential Parking and Yard Sale Permits
- 6) Administrator of an audit program which, on a regular basis, evaluates, appraises, and compares all Business Licenses, ad valorem and excise taxes, and their level of compliance to State and City code
- 7) Administrator of Utility, Franchise (Bank, Telephone and Cable) and Public Service Corporation taxes
- 8) Collector of Contractor Workers Compensation certifications with responsibility to forward them to the State Workers Compensation Board
- 9) Provider of tax-related statistical data to the City Council, the City Manager, and other City Offices and Departments
- 10) Watchdog of all tax-related legislation introduced into the General Assembly in order to ascertain potential impact on local tax revenues
- 11) Advisor to Norfolk legislators to the General Assembly and Norfolk City Council concerning revenue issues
- 12) Administrator of a program to conduct Manufacturer determination visits
- 13) Participant in State Sales Tax Partner Program - Assist the Virginia Department of Taxation in identifying unreported revenues
- 14) Participant in Statewide Telecommunications Tax uniformity study
- 15) Verify and Issue Enterprise Zone Tax credits

Tangible Personal Property Team Duties - Continued

- ◆ **Aircraft*** - Aircraft are assessed at 20% of the Aircraft Blue Book "Equipped per Base Change/Inventory" Value and taxed at the rate of \$2.40 per \$100. Aircraft taxes are due on, or before, June 5th.
- ◆ **Rental Tax on Daily Rental Passenger Cars** - These taxes are remitted by the business to the Department of Motor Vehicles on a monthly basis. Taxes are assessed at 8% of the Gross Rental Proceeds for vehicles with a *gross vehicle weight of 26,000 pounds or less*. The DMV then forwards half of that amount to the City of Norfolk. Taxes are assessed at 4% of the Gross Rental Proceeds for vehicles with a *gross vehicle weight of 26,001 pounds or more*. The entire 4% forwarded to the City of Norfolk. The Commissioner's Office has the responsibility of verifying receipt and accuracy of all remittances.
- ◆ **Residential Parking Permits** - \$10.00 per vehicle, per year; for vehicles in certain areas of the city, prorated semi-annually. One free visitor pass per address is issued annually. In addition, 30-day visitor passes are available for \$2.00 with a maximum of 2 being issued simultaneously. As of June 30 2005, there were 14 Residential Parking Permit Zones in the city.
- ◆ **Yard/Garage Sale Permits** - \$5.00 Yard Sale permit fee and limited to two permits per calendar year.
- ◆ **DMV Select** - services include Vehicle Titling, Vehicle Registration, Special & Personalized License Plates, Dealer Title & Registration Services & Voter Registration enabling one-stop processing for most DMV transactions. The Commissioner's Office receives compensation from the Department of Motor Vehicles of 3.5% of gross receipts of DMV transactions we process.

*Personal Property Taxes in this classification are not prorated.

Tangible Personal Property Team

Rick M. Wilkins, Team Leader

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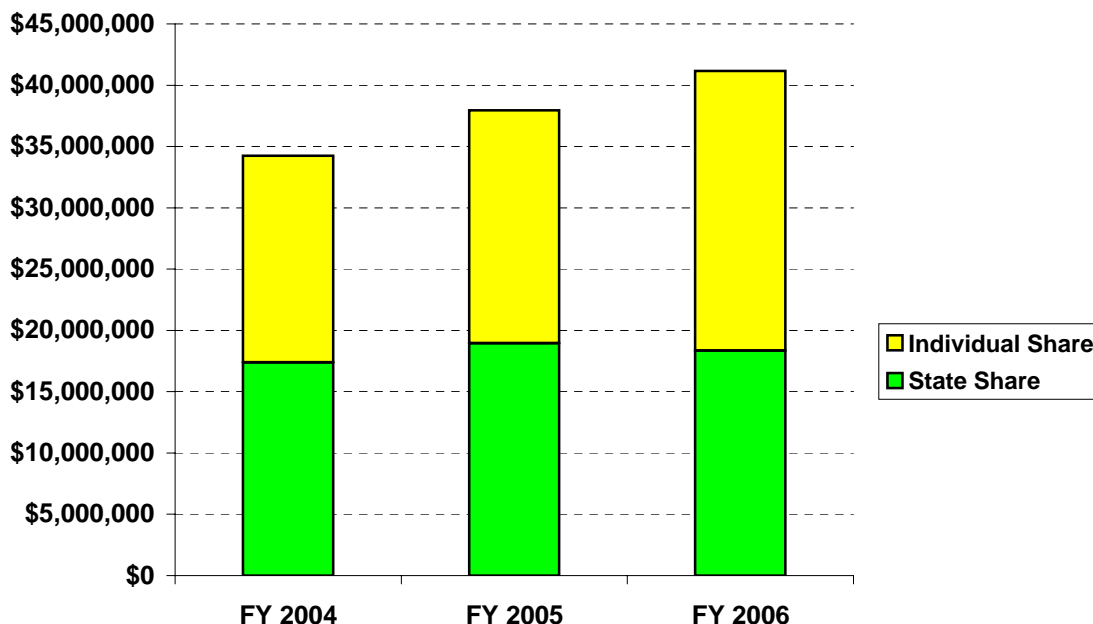
Tangible Personal Property Team Duties

- ◆ **Individual/Business Vehicles Personal Property** - Autos, trucks, motorcycles and utility trailers are assessed on a *prorated* basis. Proration is calculated on the actual number of months the vehicle is present in the City of Norfolk. Assessment is calculated using the National Automobile Dealers Association (NADA) "Loan" Value and taxed at the rate of \$4.00 per hundred. Personal Property Tax is payable annually on, or before, June 5th.
- ◆ **Recreational Vehicles** - Recreational Vehicles are assessed on a *prorated* basis using the NADA Recreational Vehicle Guide "Used" Value and taxed at the rate of \$1.50 per hundred. Recreational Vehicle property tax is payable annually on, or before, June 5th.
- ◆ **Boats*** - *Personal WaterCraft* are assessed annually using the Anderson and Bugg Outboard Service (ABOS) Marine Blue Book "Low Estimated Trade-In" Value and taxed at the rate of \$.01 per hundred. *Commercial Vessels* weighing less than 5 tons are assessed using the ABOS Marine Blue Book "Low Estimated Trade-In" Value and taxed at the rate of \$1.50 per hundred. Commercial vessels weighing 5 tons or more are assessed at 60% of original cost, with a depreciation of 5% each year until reaching a minimum depreciated value of 20% of original cost. They are taxed at the rate of \$1.50 per \$100. In accordance with State & City Code, owners of commercial boats must file a listing of all vessels with this office on, or before, February 1. All boat property tax is due on, or before, June 5th.
- ◆ **Boat Decals** - Boat decals are required for all *Pleasure Craft* that operate, dock, or are stored within the City of Norfolk, or on city waters. The decal cost is based on the length of the boat as follows: decals for boats under 16' are \$10, decals for boats 16' and over are \$25. The decals go on sale March 1st and must be displayed by May 15th of each year.
- ◆ **Mobile Homes*** - Mobile Homes are assessed using the Virginia Mobile Home Appraisal Guide and taxed at the rate of \$1.35 per \$100. The rate changed July 1, 2005 from \$1.40 per \$100 to \$1.35 per \$100. All Mobile Home taxes are due on, or before, June 5th.

*Personal Property Taxes in this classification are not prorated.

Tangible Personal Property - Vehicles

Chart 7 - Comparison - Tax Relief to Total Tax Due



Personal Property Tax Relief state share percentage set by Virginia Code:
2004 - 2005 70% Tax Relief 2006 60%

Table 7 - Summary of Tangible Personal Property Tax on vehicles

		Year			Inc/Dec	% Change
		FY 2004	FY 2005	FY 2006		
All Vehicles	Number Accts	190,629	205,230	204,792	-438	-0.21%
	Assessed	\$1,030,831,408	\$1,110,625,002	\$1,154,797,672	\$44,172,670	3.98%
	Tax Due*	\$34,252,811	\$37,962,318	\$41,160,002	\$3,197,684	8.42%
Average Tax Due per Vehicle		\$179.68	\$184.97	\$200.98		
Vehicles qualifying for Tax Relief	Number Accts	151,027	156,606	158,566	1,960	1.25%
	Assessed	\$766,017,040	\$813,801,106	\$863,143,624	\$49,342,518	6.06%
	State Share	\$17,374,167	\$18,946,677	\$18,354,458	-\$592,219	-3.13%
	State Share %	70%	70%	60%**		

* Annual Tax Due after proration

**Beginning in Fy 2006, the State Share was capped by the Virginia General Assembly, localities now receive a fixed amount for Personal Property Tax Relief. If the assessed value of all the localities taxable vehicles grows, the State Share will be spread among more vehicles thus reducing the percentage each vehicle receives for tax relief.

Boats - Personal WaterCraft & Commercial Vessels

Chart 8a - Annual Tax on Personal WaterCraft

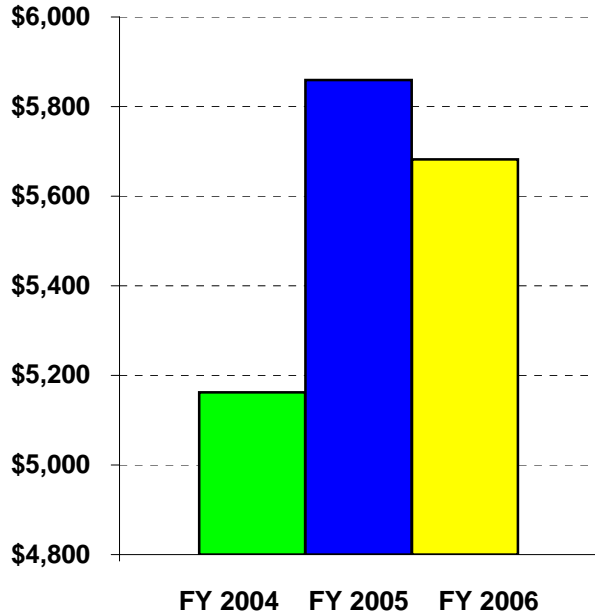


Chart 8b - Annual Tax on Commercial Boats

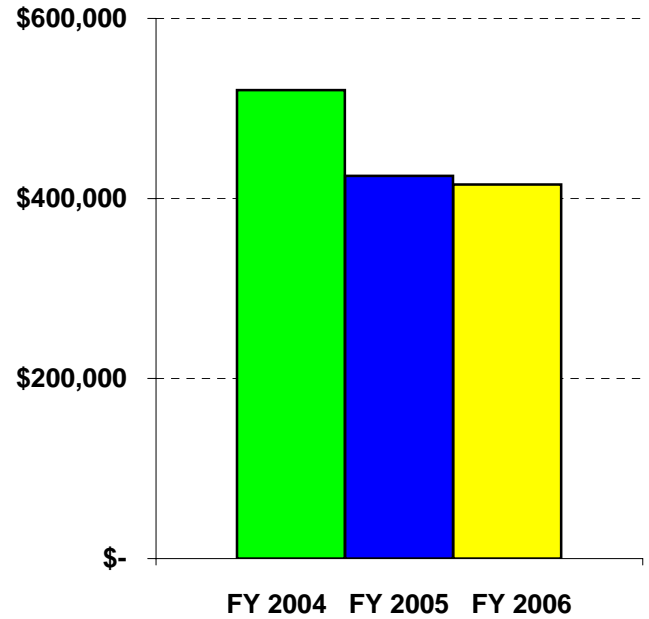


Table 8a - Annual Tax on Personal WaterCraft

Personal WaterCraft					
	FY 2004	FY 2005	FY 2006	Inc/ Dec	%Change
Units	5,297	5,686	5,485	-201	-3.5%
Assessed Value	\$51,565,001	\$58,528,637	\$57,140,659	-\$1,387,978	-2%
Annual Tax	\$5,162	\$5,859	\$5,682	-\$177	-3%
Average Tax Due per Boat	\$ 0.97	\$ 1.03	\$ 1.04		

Table 8b - Annual Tax on Commercial Vessels

Commercial Vessels					
	FY 2004	FY 2005	FY 2006	Inc/ Dec	%Change
Units	328	304	319	15	5%
Assessed Value	\$34,673,151	\$28,066,567	\$27,686,192	-\$380,375	-1%
Annual Tax	\$520,263	\$425,128	\$415,520	-\$9,608	-2%
Average Tax Due per Boat	\$ 1,586.17	\$ 1,398.45	\$ 1,302.57		

Boat Decal Sales

Chart 9 - Boat Decal Sales

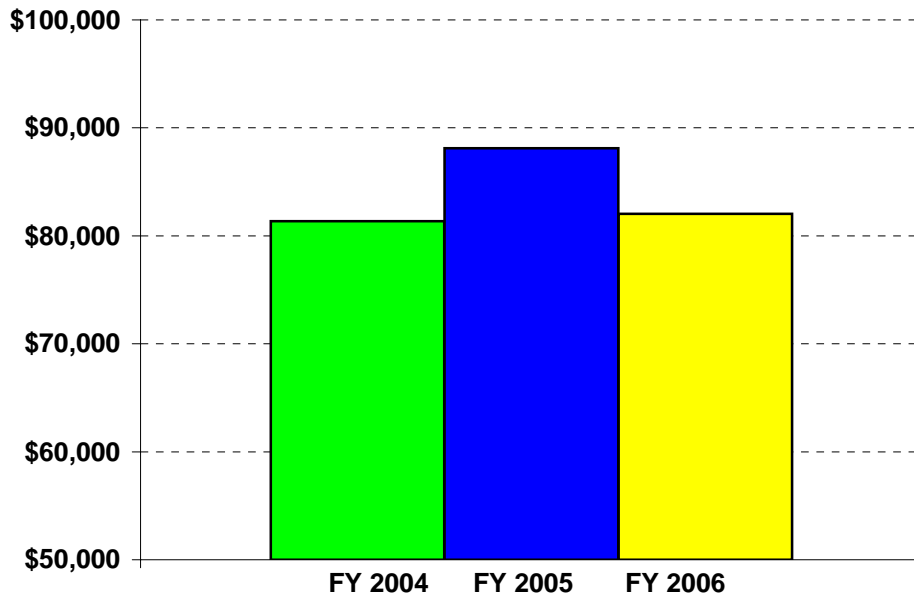


Table 9 - Boat Decal Sales

Category	FY 2004		FY 2005		FY 2006		Number Inc/Dec	Amount Inc/ Dec	Amount %Change
	# Sold	\$Amount	# Sold	\$Amount	# Sold	\$Amount			
Boats Under 16'	1215	\$12,150	1,287	\$12,870	1,253	\$12,530	(34)	\$ (340)	-2.6%
Boats 16' to Under 28'	2115	52,875	2,294	57,350	2,127	53,175	(167)	-4,175	-7%
Boats 28' to Under 40'	526	13,150	575	14,375	525	13,125	(50)	-1,250	-9%
Boats 40' and Over	127	3,175	140	3,500	128	3,200	(12)	-300	-9%
Military Decals	191	0	198	0	206	0	8	0	0%
Tax Exempt	2	0	6	0	0	0	(6)	0	0%
Decal Replacement	14	22	6	12	0	0	(6)	-22	-100%
Total	4190	\$81,372	4,506	\$88,107	4,239	\$82,030	(267)	\$ (6,077)	-7%

Table 9 - Total Revenue Personal Watercraft

	FY 2004	FY 2005	FY 2006	Inc/ Dec	%Change
Annual Property Tax	\$5,162	\$5,859	\$5,682	-\$177	-3%
Boat Decal Revenue	\$81,372	\$88,107	\$82,030	-\$6,077	-7%
Total Revenue	\$86,534	\$93,966	\$87,712	-\$6,254	-7%

Tax on Daily Rental Passenger Cars

Chart 10 - Rental Tax on Daily Rental Passenger Cars

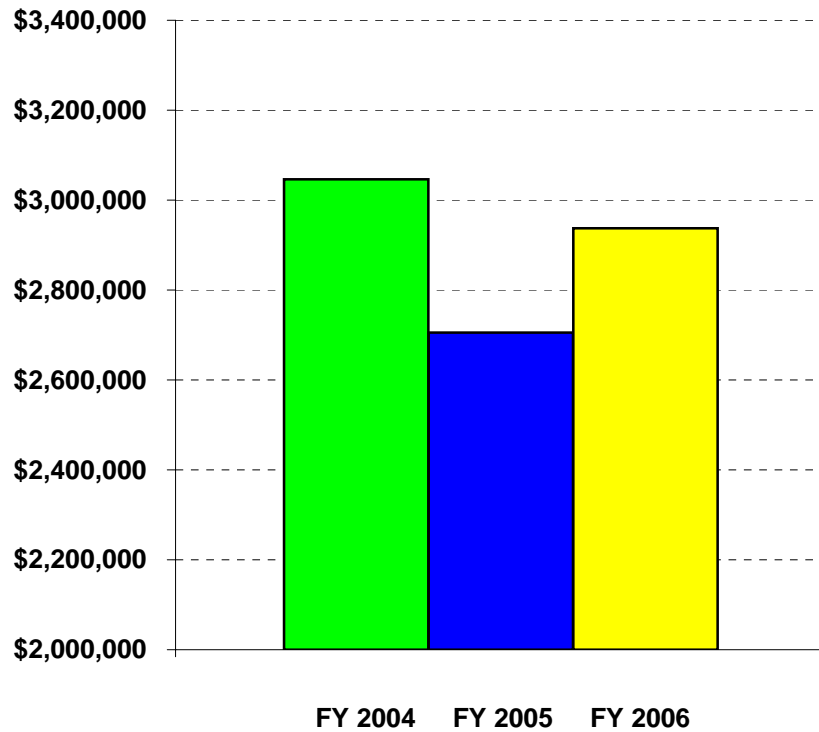


Table 10 - Revenue from tax on daily rental of passenger cars

Period	FY 2004	FY 2005	FY 2006	Inc/ Dec	%Change
Jul - Sep	\$ 810,183	\$ 749,063	\$ 874,187	\$125,124	17%
Oct - Dec	868,098	811,595	801,095	(10,500)	-1%
Jan - Mar	786,892	625,769	662,529	36,760	6%
Apr - Jun	580,864	519,265	599,565	80,300	15%
Totals	\$ 3,046,037	\$ 2,705,692	\$ 2,937,376	\$ 231,684	9%

Residential Parking Permit Sales

Chart 11 - Residential Parking Permits

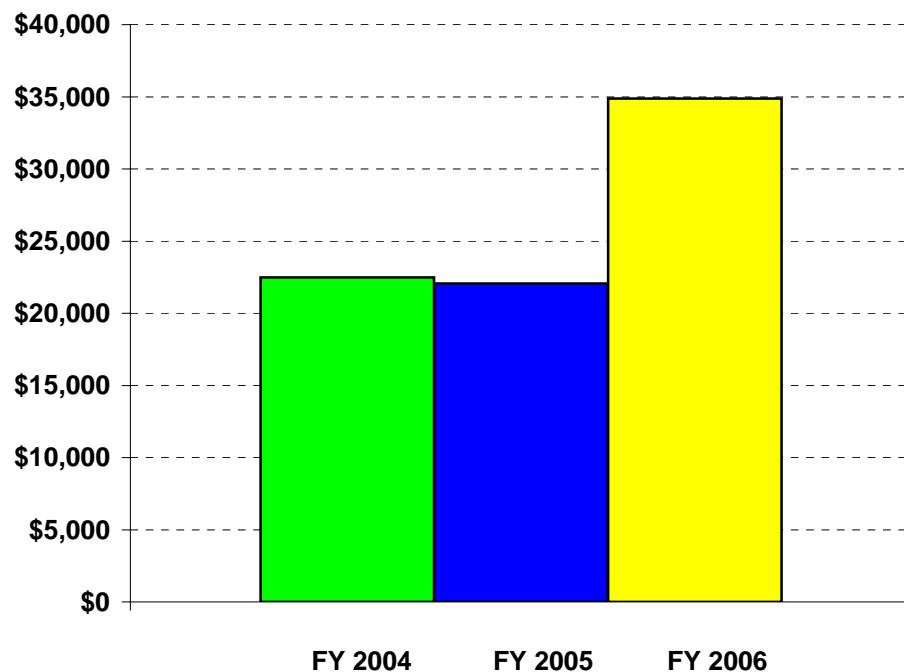


Table 11 - Residential Parking Permits Sold

	FY 2004	FY 2005	FY 2006	Inc/Dec	%Change
Number of Zones	10	14	14	-	0%
Permits Issued	2550	2256	3886	1,630	72%
Fees Collected	\$22,492	\$22,058	\$34,877	\$ 12,819	58%

Mobile Homes & Aircraft

Chart 12a - Annual Tax on Mobile Homes

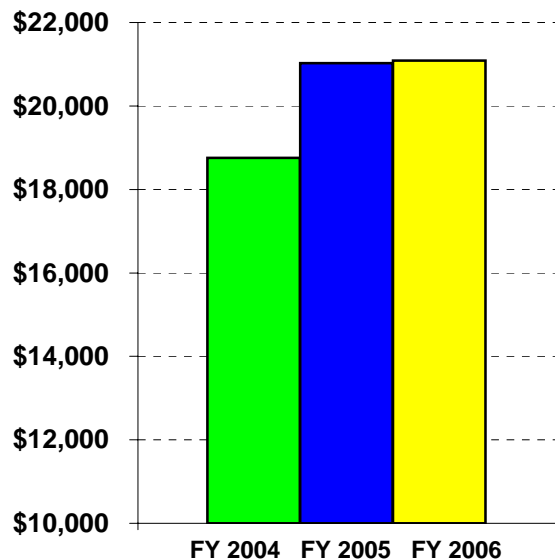


Chart 12b - Annual Tax on Aircraft

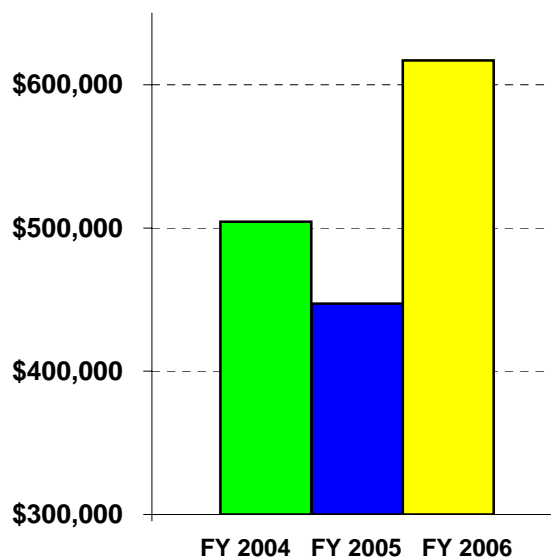


Table 12a - Annual Tax on Mobile Homes

Mobile Homes					
	FY 2004	FY 2005	FY 2006	Inc/ Dec	%Change
Units	440	481	488	7	1%
Assessed Value	\$ 1,339,630	\$ 1,501,738	\$ 1,513,694	\$11,956	1%
Annual Tax	\$ 18,758	\$ 21,024	\$ 21,090	\$66	0%
Average Tax Due per Mobile Home	\$ 42.63	\$ 43.71	\$ 43.22		

Table 12b - Annual Tax on Aircraft

Aircraft					
	FY 2004	FY 2005	FY 2006	Inc/ Dec	%Change
Units	87	86	98	12	14%
Assessed Value	\$ 21,011,604	\$ 18,634,457	\$ 25,709,279	\$7,074,822	38%
Annual Tax	\$ 504,279	\$ 447,251	\$ 617,023	\$169,772	38%
Average Tax Due per Plane	\$ 5,796.31	\$ 5,200.59	\$ 6,296.15		

DMV Select & Yard / Garage Sale Permits

Table 13a - Revenue from DMV Select Services*

	FY 2006
Revenue	\$7,674
Number of Transactions	8997

*DMV Select services provided December 19, 2005 - June 30, 2006.

Chart 13 - Yard/ Garage Sale Permits Total Revenue

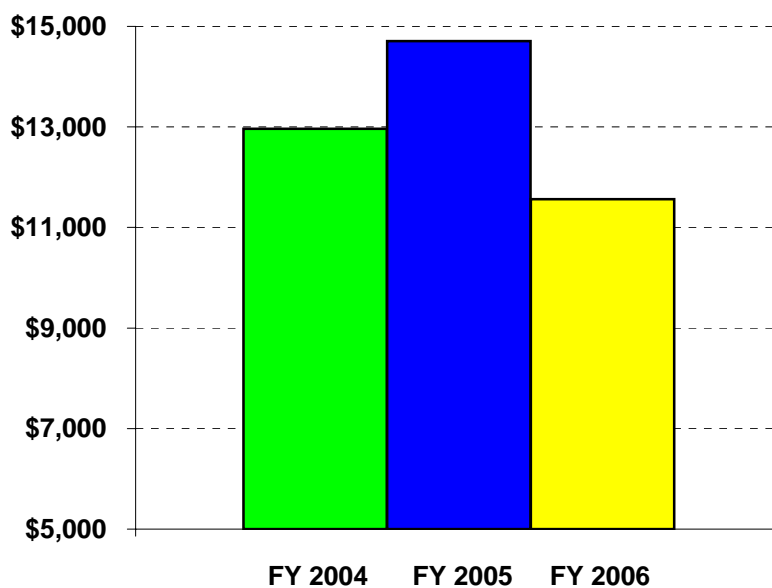


Table 13b - Yard/Garage Sale Permits issued and fees collected

	FY 2004	FY 2005	FY 2006	Inc/Dec	%Change
Permits Issued	2,592	2,942	2,217	(725)	-25%
Fees Collected	\$ 12,960	\$ 14,710	\$ 11,565	\$ (3,145)	-21%

Omitted Assessments - Vehicles

Chart 14 - Omitted Assessments

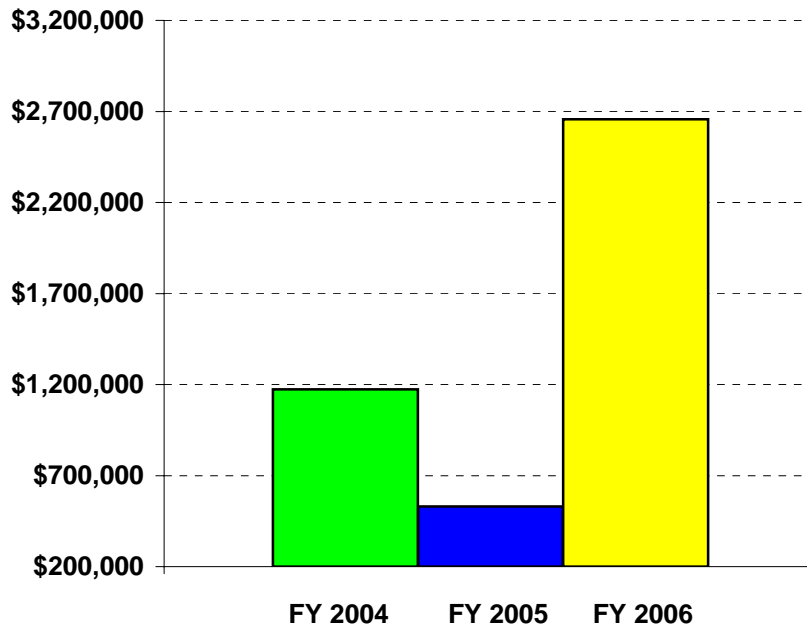


Table 14 - Tax due from Omitted Assessments

	Year			Inc/Dec	% Change
	FY 2004	FY 2005	FY 2006		
Assessment	\$79,072,139	\$43,782,948	\$73,250,057	29,467,109	67%
Tax	\$1,173,284	\$529,957	\$2,657,762	2,127,805	402%

Business Tax

William E. Parker, Team Leader

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Business Tax Team Duties

- ◆ **Business Personal Property** - Includes all business furniture, fixtures, equipment, machinery and tools located in the City of Norfolk on January 1st. Business property is assessed at 40% of the original capitalized cost (new) and taxed at the rate of \$4.00 per hundred. Machinery and Tools for manufacturers are assessed at 40% of the original capitalized cost (new) and taxed at the rate of \$4.00 per hundred. Business Personal Property tax is payable annually on, or before, June 5th.
- ◆ **City Business License** - Required of all businesses operating within the City of Norfolk. If annual gross receipts exceed \$100,000 then the following taxation rates apply: Contactors \$0.16 per \$100; Retailers and Restaurants \$0.20 per hundred; Service and Repair \$0.36 per hundred; Professional and Real Estate \$0.58 per hundred; Telecommunications \$0.50 per hundred and Wholesalers \$0.15 per hundred plus \$50. If annual gross receipts are less than, or equal to, \$100,000 then a flat fee of \$50 is due. Business License taxes are due on, or before, March 1st.
- ◆ **Food and Beverage Tax** - Food and Beverage taxes are 6 1/2% of the meal, including alcoholic beverages. This tax is collected by the business and remitted monthly to the Commissioner of Revenue by the 20th of each month.
- ◆ **Lodging Tax** - Lodging taxes are 8% of the hotel/motel bill and are collected by the business. They are remitted monthly to the Commissioner of Revenue by the 20th of each month.
- ◆ **Room Tax** - Room tax is \$1 per room for each night of lodging at any hotel. This tax is collected by the business and remitted monthly to the Commissioner of Revenue by the 20th of each month.
- ◆ **Admissions Tax** - These taxes are 10% on all events held within the city that charge an admission. This tax is collected by the business and remitted monthly to the Commissioner of Revenue by the 20th of each month.
- ◆ **Cigarette Tax** - This tax is assessed by the Commissioner of the Revenue on cigarettes purchased in the City of Norfolk. A stamp must be affixed to each package of cigarettes sold in the City. The taxation rates, are \$.55 on a package containing 20 cigarettes, and \$.6875 on a package containing 25 cigarettes.
- ◆ **Short Term Rental Tax Personal Property** - 1% levy on rental items that are "short term" in nature (92 days or less). These items include, but are not limited to, video tapes, tuxedos, and lawn equipment. The retailer remits this tax to the Commissioner of Revenue on a quarterly basis.

Business Personal Property

Chart 16a - Business Property - Furniture, Fixtures & Equipment

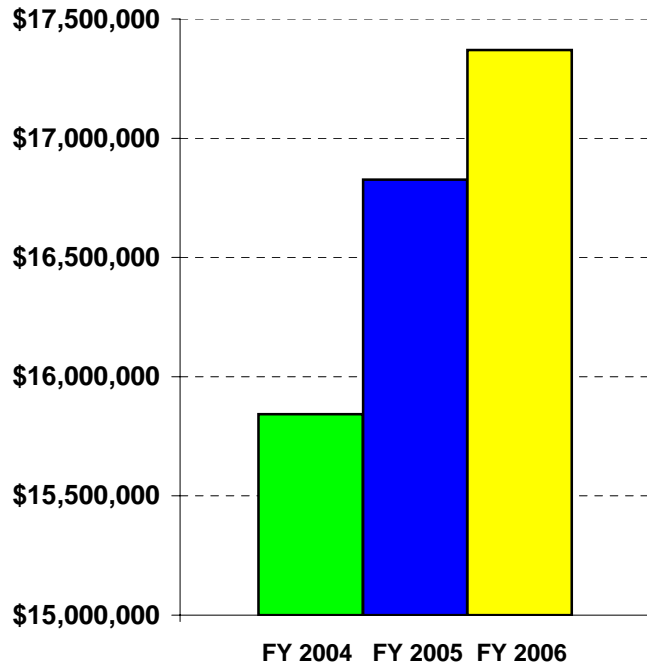


Chart 16b - Business Property - Machinery and Tools

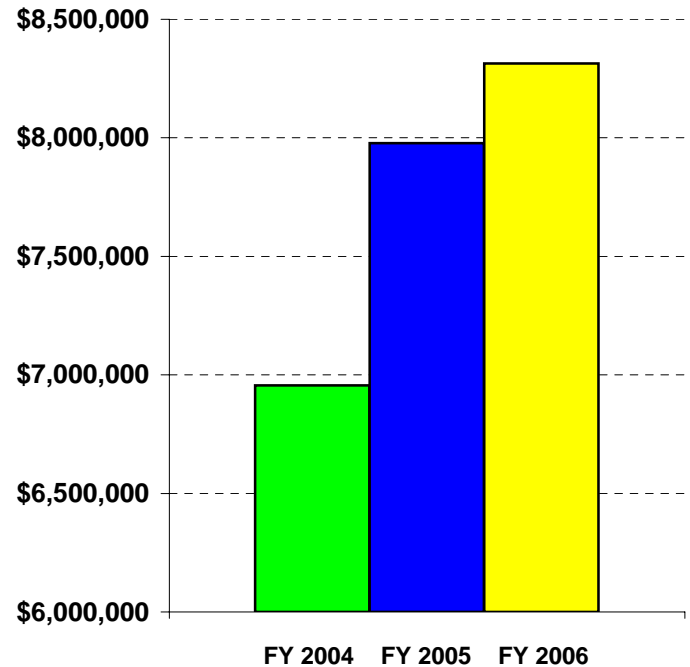


Table 16 - Annual Business Personal Property Tax

Classification		Fiscal Year			Inc/ Dec	% Change
		FY 2004	FY 2005	FY 2006		
Furniture, Fixtures & Equipment	Accounts	9,622	9,617	10,947	1,330	13.8%
	Assessments	\$389,775,621	\$413,992,380	\$425,734,711	\$11,742,331	3%
	Tax	\$15,842,462	\$16,826,762	\$17,370,315	\$543,553	3%
Average Tax Due per Account		\$1,646	\$1,750	\$1,587		
Machinery & Tools	Accounts	152	150	157	7	5%
	Assessments	\$172,990,323	\$198,425,580	\$204,813,047	\$6,387,467	3%
	Tax	\$6,955,569	\$7,978,266	\$8,314,010	\$335,744	4%
Average Tax Due per Account		\$45,760	\$53,188	\$52,955		
Combined Total	Accounts	9,774	9,767	11,104	1,337	13.7%
	Assessments	\$562,765,944	\$612,417,960	\$630,547,758	\$18,129,798	3%
	Tax	\$22,798,031	\$24,805,028	\$25,684,325	\$879,297	4%

Business License - Activity by Classification

Table 17a - Business License Summary

Summary of Business License Activity	FY 2004	FY 2005	FY 2006
# of New Businesses Opened	2,654	2,451	2,608
# of Businesses Closed	2,199	2,137	2,298
Net Increase/Decrease	455	314	310
Total # Active Businesses	12,906	13,263	14,562

Chart 17 - Business License Terminations

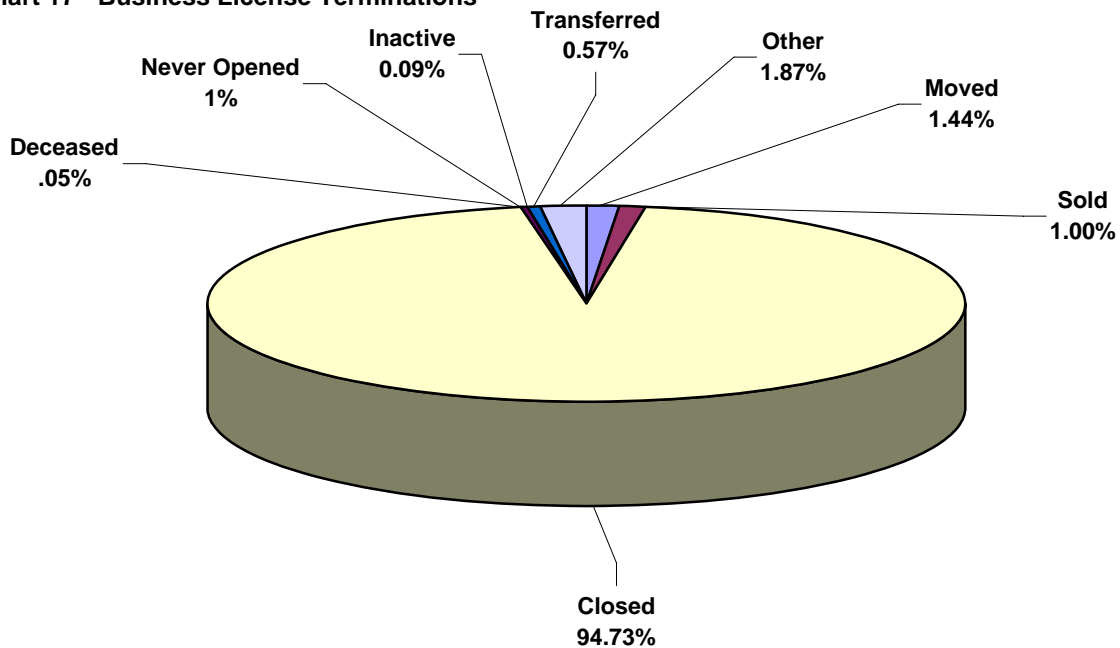


Table 17b - Business License Terminations

Business License Termination Criteria	FY	FY	FY	Inc/ Dec	% Change
	2004	2005	2006		
Moved (businesses that have left the city)	186	134	33	(101)	-75%
Sold (businesses that changed ownership monetarily)	65	76	23	(53)	-70%
Closed (letter received from customer stating business closed)	1726	1713	2177	464	27%
Deceased (owner of business has died)	18	14	2	(12)	-86%
Never Opened (license obtained, but business operations never began)	33	19	5	(14)	-74%
Inactive (e.g. out-of-town contractors, special events vendors)	18	29	2	(27)	-93%
Transferred (ownership changed within businesses)	18	20	13	(7)	-35%
Other	135	132	43	(89)	-67%
Total	2199	2137	2298	161	8%

Business License - Revenue

Chart 18 - Business License Revenue by classification

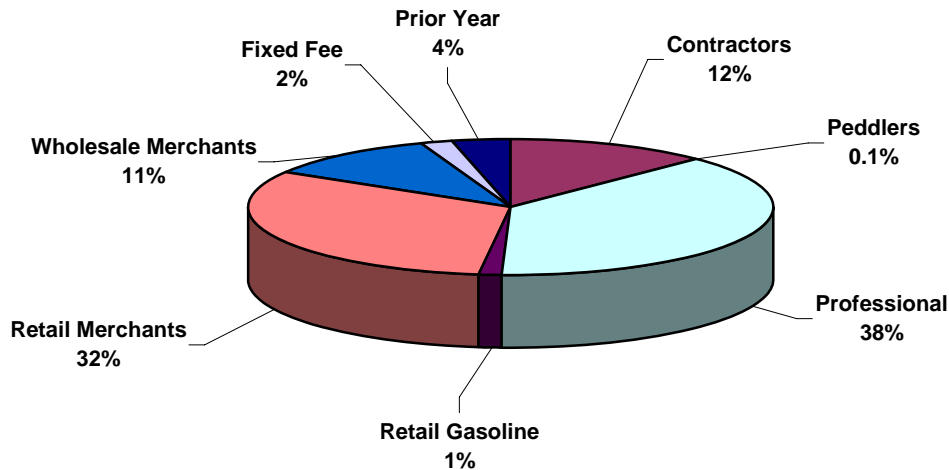


Table 18 - Business License by classification

Classification	FY 2004		FY 2005		FY 2006		Amount Inc/ Dec	Amount %Change
	Number	\$Amount	Number	\$Amount	Number	\$Amount		
Contractors	2,732	\$ 1,511,137	2,820	\$ 1,982,555	3,063	\$ 2,211,409	\$ 228,854	12%
Peddlers	77	4,321	77	4,624	72	4,218	(406)	-9%
Professional	1,552	5,495,627	1,436	5,902,066	1,443	6,754,694	852,628	14%
Retail Gasoline	95	160,272	80	189,207	91	241,016	51,809	27%
Retail Merchants	3,904	4,991,462	3,916	5,366,233	3,899	5,675,390	309,157	6%
Wholesale Merchants	617	1,709,098	536	1,908,894	512	1,913,330	4,436	0%
Fixed Fee	711	344,234	469	365,975	477	333,236	(32,739)	-9%
Prior Year	1,531	953,034	752	604,045	793	643,377	39,332	7%
All Others	4,739	5,726,910	5,700	6,416,833	5,859	7,322,704	905,871	14%
Total	15,958	\$ 20,896,095	15,786	\$ 22,740,432	16,209	\$ 25,099,374	\$ 2,358,942	10%
Less Refunds	206	708,650	635	181,233	256	306,890	125,657	69%
Net	15,752	\$ 20,187,445	15,151	\$ 22,559,199	15,953	\$ 24,792,484	\$ 2,233,285	10%

Brief Description of Classifications

Annual Tax Rate

Contractors - Businesses who bid on jobs and perform work based on their bids (Building Trades)	\$.16 per 100
Peddlers - Merchants who travel from place to place with no specific location for offering their goods and services	\$500
Professionals - Licensed individuals (Attorneys, Physicians, CPA's, etc.)	\$.58 per 100
Retail Gasoline - Service Stations	\$.20 per 100
Retail Merchants - Those who sell goods to the public (retail stores & restaurants)	\$.20 per 100
Wholesale Merchants - Distributors who sell to retailers	\$.15 per 100 plus \$50
Fixed Fee - License Fee for a one time event such as, carnivals, circuses and festivals	Varies
Prior Year - Tax collected for previous license years	Varies
Refunds - Issued for businesses: moving from Norfolk, resulting from an audit, reconciliation of taxpayer and/or Commissioner of Revenue erroneous assessments.	Varies
All Others - Business Services	Varies

Lodging Tax & Room Tax

Chart 19b - Lodging Tax

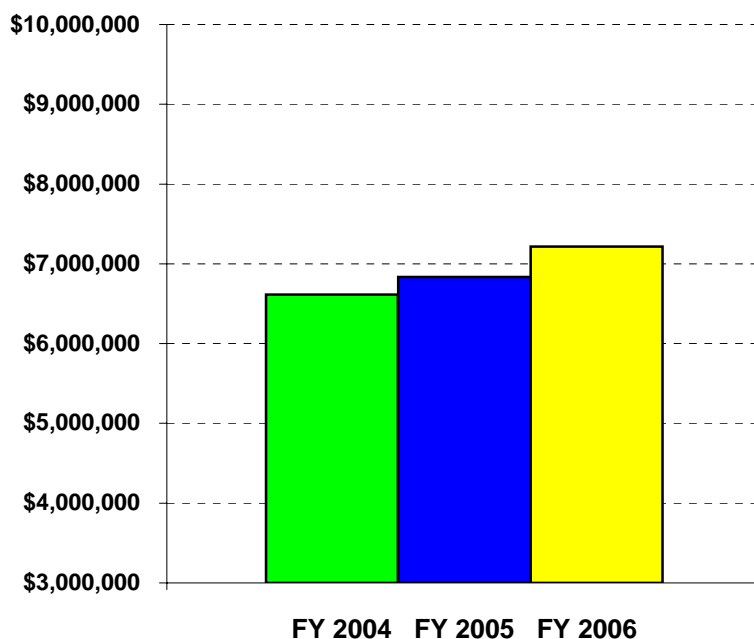


Table 19a - Revenue from Lodging Tax

	FY 2004	FY 2005	FY 2006	Dollars Inc/ Dec	% Change
Businesses Reporting	54	60	51	-9	-15%
Tax Remitted	\$ 6,612,810	\$ 6,833,167	\$ 7,214,604	\$ 381,437	6%

Table 19b - Revenue from Room Tax*

	FY 2006
Tax Remitted	\$ 276,843
Average Tax per month	\$ 92,281

*Effective April 1, 2006.

Food & Beverage Tax & Admissions Tax

Chart 20a - Food and Beverage Tax

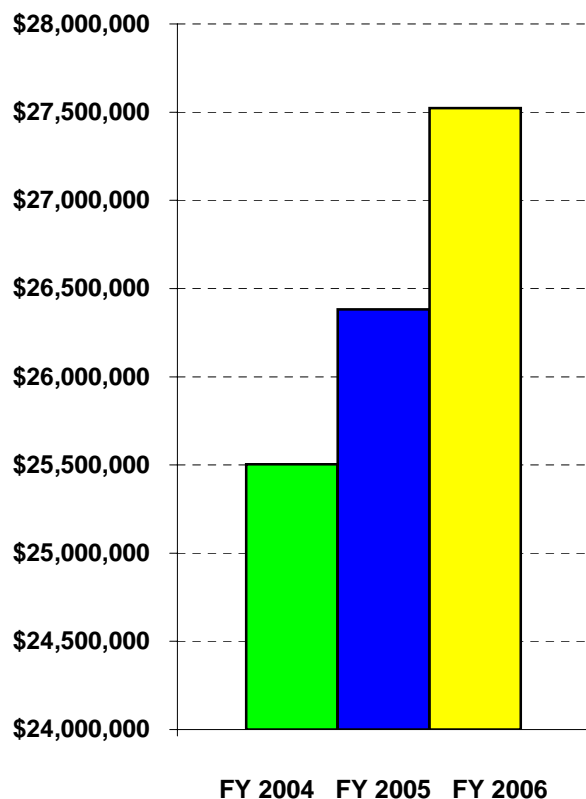


Chart 20b - Admission Tax from Scope, Nauticus, Harbor Park, and all other sources

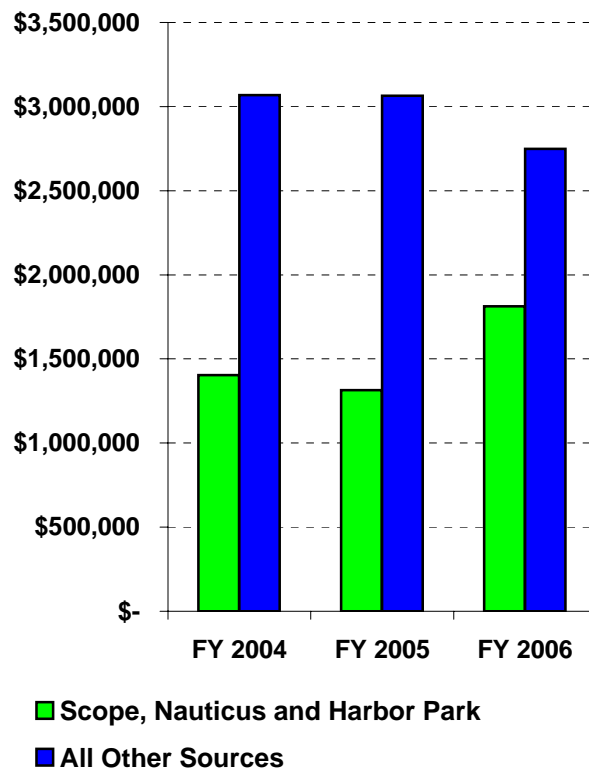


Table 20a - Revenue from Food and Beverage Tax

	FY 2004	FY 2005	FY 2006	Dollars Inc/ Dec	% Change
Businesses Reporting	904	889	890	1	0%
Tax Remitted	\$ 25,504,255	\$ 26,381,844	\$ 27,523,373	\$ 1,141,529	4%

Table 20b - Admissions tax from Scope, Nauticus, Harbor Park, and all other sources

	FY 2004	FY 2005	FY 2006	Dollars Inc/ Dec	% Change
Scope, Nauticus and Harbor Park	\$ 1,404,083	\$ 1,314,797	\$ 1,812,412	\$ 497,615	38%
All Other Sources	3,068,358	3,064,220	2,748,124	\$ (316,096)	-10.3%
Total	\$ 4,472,441	\$ 4,379,017	\$ 4,560,536	\$ 181,519	4%

Chart 21 - Cigarette Tax Revenue

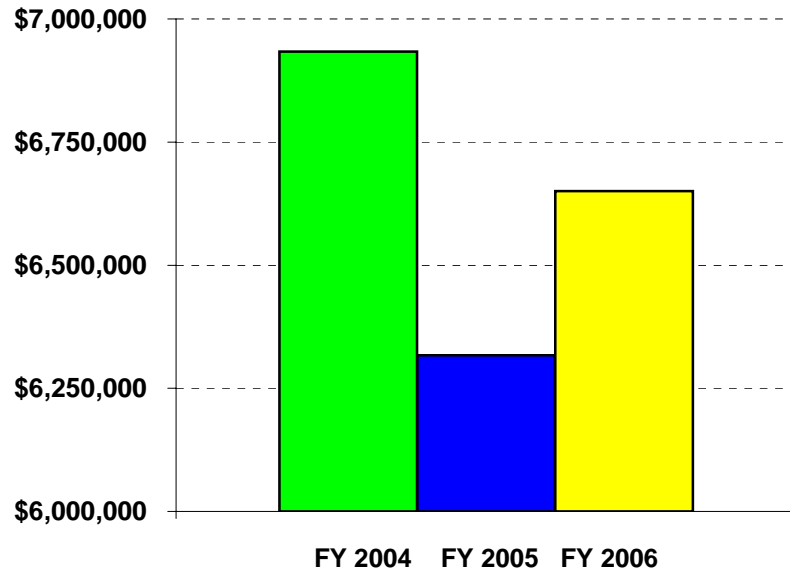


Table 21 - Revenue from Cigarette Tax

	FY 2004	FY 2005	FY 2006	Dollars Inc/ Dec	% Change
Revenue	\$ 6,933,692	\$ 6,317,225	\$ 6,650,347	\$ 333,122	5%
# of Accounts	30	26	26		

Short Term Rental Tax

Chart 22 - Short Term Rental Tax

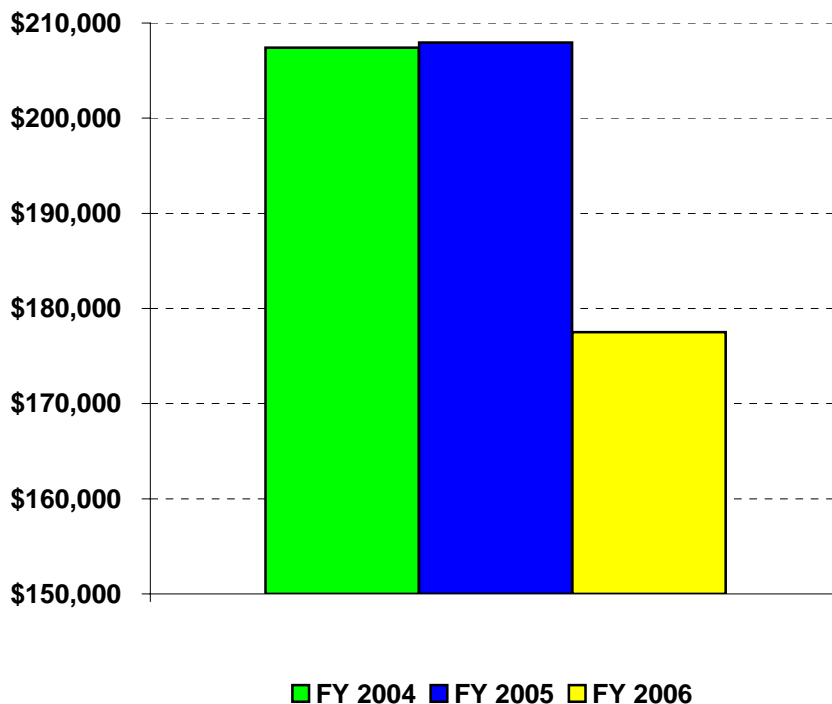


Table 22 - Short Term Rental Tax

	FY 2004	FY 2005	FY 2006	Dollars Inc/ Dec	% Change
Revenue	\$ 207,426	\$ 207,961	\$ 177,511	\$ (30,450)	-14.6%
# of Accounts	63	54	50		

Special Taxes - State & City

Joe Van Landingham, Business Manager & Special Tax Coordinator

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Special Taxes - State & City Duties

- ◆ **Bank Franchise Tax** - This tax is imposed on banks with offices in Norfolk. The rate is based on the percentage of deposits through the principal office and/ or branches located in Norfolk as of January 1. The tax is 80% of the state rate of taxation (\$1 per \$100 of net capital) on each \$100 of the net capital of each bank located in the city. The tax is due annually on, or before, June 1st.
- ◆ **Franchise Tax** - This tax is paid in lieu of a right-of-way tax, granting easement and access. It allows use of city property for installation of physical plant, i.e., utility lines.
 - Verizon - This tax is due annually on or before March 1st. It is assessed at 3% of gross revenue.
 - Cox Cable - Beginning in FY 03 this tax is due on or before March 1st. It is assessed at 5% of gross revenue.
- ◆ **Public Service Corporation** - Taxes are imposed on public service corporations such as utility and railroad companies. These rates are set by the Virginia General Assembly and monitored by the State Corporation Commission. The Commissioner of the Revenue is responsible for verification of taxable assets and for classifying those assets in accordance with the asset type. The real property taxation rate is \$1.35 per \$100 and the personal property taxation rate is \$4.00 per \$100.

Special Taxes - State & City Duties

- ◆ **Utilities*** - Utility taxes collected during each calendar month are reported, and paid, by each utility company on, or before, the 27th day of the second month following collection. Electric and gas companies base the amount of the utility tax on kilowatts per hour of electricity (kWh) and cubic feet of natural gas (CCF) consumed, as applicable. The schedule of taxation rates for utility companies is as follows:

Utilities - Residential

Electric - \$1.75 + .016891 per kWh not to exceed \$3.75 per month
Natural Gas - \$1.50 per month
Telephone - 25% of the total bill, excluding long distance calls
Wireless Telephone - 10% of the first \$30
Emergency 911 - \$2.40 per land line
Water - 25% of the first \$22.50
Cox Cable - 7% of entire bill, excluding charge for remote control

Utilities - Business

Electric - \$1.75 + .017933 on first 537 kWhs monthly + .006330 on remaining kWhs
Natural Gas - \$3.225 + .167933 on first 70 CCF + .161552 on CCF in excess of 70 CCF and up to 430 CCF + .15363 on all remaining CCF not to exceed \$500
Telephone - 25% of service to building excluding instrument and switchboard
Wireless Telephone - of the first \$30
Water - 25% of the first \$75 plus 15% of bill in excess of \$75

Utilities - Manufacturer

Electric - \$1.38 + .004965 on first 3,625,100 kWhs + .004014 on all remaining kWhs not to exceed \$53,000 per month. Manufacturers located in an Urban Enterprise Zone shall be taxed at the rate of \$1.38 + .006192 on kWhs delivered monthly, not to exceed \$10,440 per month.
Natural Gas - \$3.225 + .167821 on first 70 CCF + .161552 on CCF in excess of 70 CCF and up to 430 CCF delivered monthly not to exceed \$500
Telephone - 25% of service to building excluding instrument and switchboard
Water - 25% of the first \$75 plus 15% of bill in excess of \$75

*Beginning January 1, 2007, all telecommunication companies, including cable television, will impose a State mandated Communications Sales Tax of 5% on the total customer bill. Local utility taxes and separately imposed franchise fees will no longer be imposed.

Franchise Tax and Public Service Corporation Taxes

Table 25a - Franchise Tax

Franchisee	FY 2004	FY 2005	FY 2006	Revenue Inc/Dec	% Change
Bank Franchise	\$ 1,012,454	\$ 1,674,553	\$ 2,205,145	\$ 530,592	32%
Verizon and Cox Cable	3,105,494	2,874,420	3,275,957	401,537	14%
Telecommunications	296,261	271,241	233,525	(37,716)	-14%
TOTAL	\$ 4,414,209	\$ 4,820,214	\$ 5,714,627	\$ 894,413	19%

Chart 25 - Public Service Corporation Taxes

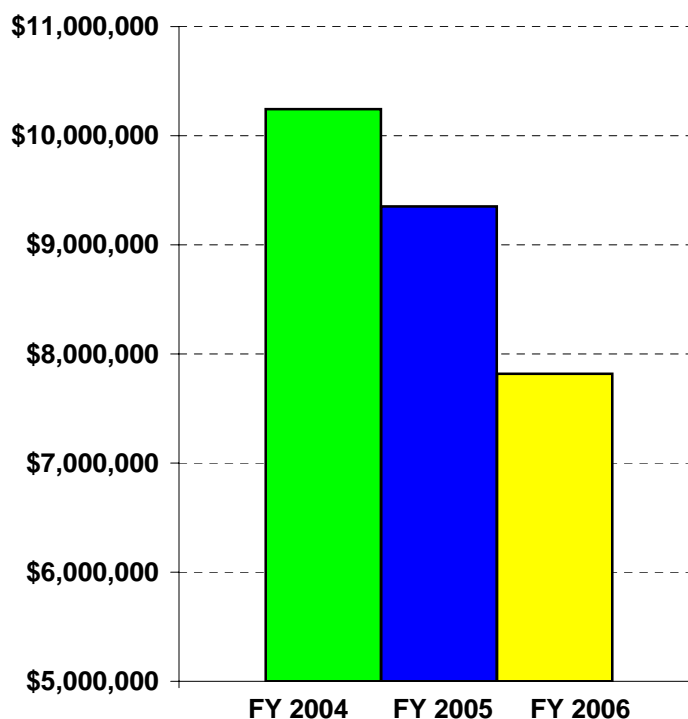


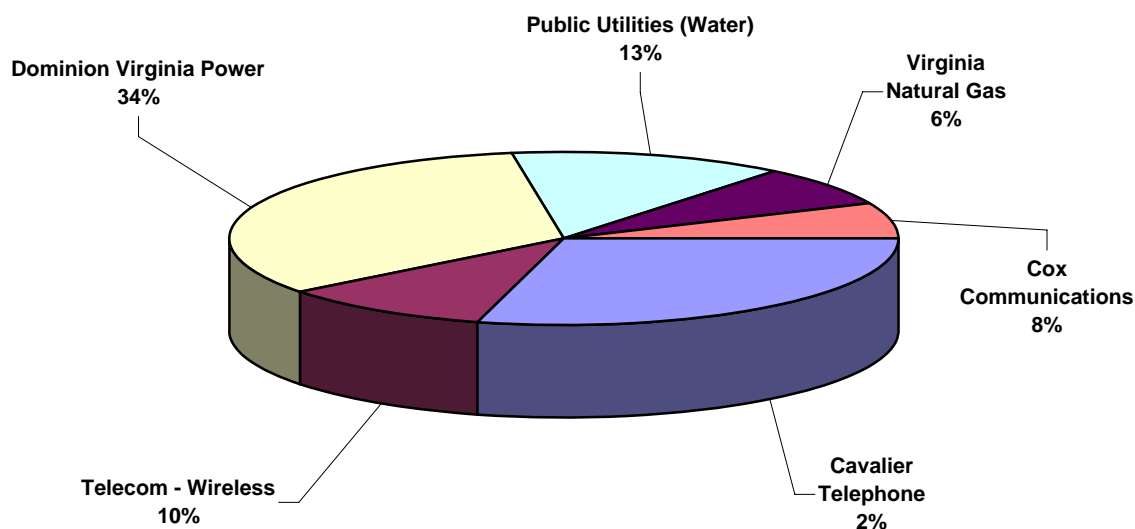
Table 25b - Public Service Corporation Real Property and Personal Property Taxes*

		Year			Inc/Dec	% Change
		FY 2004	FY 2005	FY 2006		
Real Property	Assessments	720,234,501	663,438,328	575,436,798	-88,001,530	-13%
	Tax	10,083,283	9,288,137	7,768,397	-1,519,740	-16%
Personal Property	Assessments	4,035,796	1,591,972	1,238,234	-353,738	-22%
	Tax	161,432	63,679	49,529	-14,150	-22%
Total	Assessments	724,270,297	665,030,300	576,675,032	-88,355,268	-13%
	Tax	10,244,715	9,351,816	7,817,926	-1,533,890	-16%

*All property of Public Service Corporations was taxed at a rate of \$1.35 per hundred for real property and \$4.00 per hundred for personal property as applicable (automobiles and trucks). Effective, July 1, 2006, the new taxation rate for real property is \$1.27.

Utility Tax

Chart 26 - Utility Tax by percentage of total revenue



Utility Companies	FY 2004	FY 2005	FY 2006	Inc/ Dec	% Change
Telecom - Landline	\$ 12,339,255	\$ 12,137,950	\$ 11,193,406	\$ (944,544)	-8%
Telecom - Wireless	3,441,862	3,573,827	3,891,175	317,348	9%
Dominion Virginia Power	12,420,500	12,498,703	12,742,703	244,000	2.0%
Public Utilities (Water)	4,417,099	4,812,496	5,110,839	298,343	6%
Virginia Natural Gas	2,414,917	2,513,803	2,874,030	360,227	14%
Cox Communications	3,094,368	3,054,832	2,550,539	(504,293)	-17%
Total	\$ 38,128,001	\$ 38,591,611	\$ 38,362,692	\$ (228,919)	-1%

Table 26b - 911 Tax

Utility	FY 2004	FY 2005	FY 2006	Inc/ Dec	% Change
Telecom Companies - Landline	3,975,671	3,307,527	4,050,922	\$ 743,395	22%

Table 26c - Consumption Tax

Utility	FY 2004	FY 2005	FY 2006	Inc/ Dec	% Change
Dominion Virginia Power	\$ 634,552	\$ 649,401	\$ 661,301	\$ 11,900	2%
Virginia Natural Gas	141,100	141,788	120,077	\$ (21,711)	-15.3%
Total	\$ 775,652	\$ 791,189	\$ 781,378	\$ (9,811)	-1%

Section
6

Audit Team

Paul Crepeau, Team Leader

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Audit Team Duties

- ◆ Ensure compliance with state and city taxes, laws, ordinances and fees
- ◆ Evaluate, appraise, and compare businesses' licenses to their level of compliance
- ◆ Conduct manufacturing determination visits

In - Depth Assessments

Chart 28 - Comparison of In-Depth Assessments and Amount Collected by year

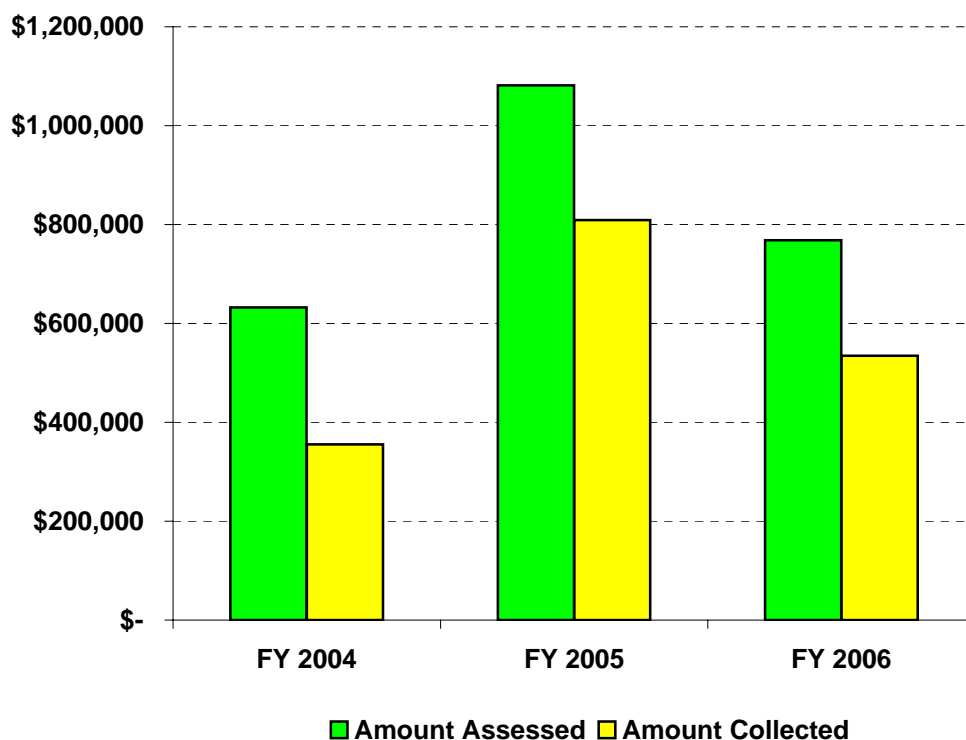


Table 28 - Revenue collected from in-depth assessments

	FY 2004	FY 2005	FY 2006
Amount Assessed	\$632,156	\$1,081,311	\$768,047
Amount Collected	\$355,377	\$809,262	\$534,688

Note: Annual fluctuations between "Amount Assessed" & "Amount Collected" reflect timing differences between the audit completion and the collection of taxes assessed. Payment arrangements, Circuit Court judgments, or seizure and collection of Business Property Taxes by the City Treasurer are reasons for these timing differences.

Section
7

State Income Tax Team

Robert K. Mislán, Team Leader

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State Income Tax Team Duties

- ◆ Process Individual Income Tax Returns including
 - Accelerated Refund Returns
 - Refund, Tax Due, and Fiduciary Returns
 - Estimated Tax Declarations and Payments
 - Prior Year and Amended Tax Returns

- ◆ Provide State Tax Return Filing Assistance including
 - Return Preparation and Filing Assistance
 - Furnishing Instructional Speakers for Tax Seminars and Meetings
 - Resolution of Taxpayer Conflicts with the Department of Taxation

- ◆ State income taxes must be filed with the local Commissioner of Revenue, on or before, May 1st of each year

State Income Tax

Table 30a - State Income Tax Processing by Category

	FY 2004	FY 2005	FY 2006	Number Inc/ Dec	% Change
Accelerated Refunds	6,276	1,772	3,035	1,263	71%
Regular Refunds	12,437	9,047	7,392	(1,655)	-18%
I-File	11,005	10,669	9,915	(754)	-7%
Tax Due	6,967	6,247	6,430	183	3%
Estimated Taxes	2,670	2,849	2,828	(21)	-1%
Amended & Prior Year Returns	3,597	3,318	2,660	(658)	-20%
Totals	42,952	33,902	32,260	(1,642)	-5%

Table 30b - Taxpayer assistance statistics

	FY 2004	FY 2005	FY 2006	Number Inc/ Dec	% Change
Customer Visits for Filing Assistance	5,114	4,625	4,037	(588)	-13%
Telephone Calls Seeking Assistance	11,650	10,115	9,650	(465)	-5%
Total Taxpayer Assistance	16,764	14,740	13,687	(1,053)	-7%

Table 30d - Taxpayer dollar amounts processed

	FY 2004	FY 2005	FY 2006	Number Inc/ Dec	% Change
Individual Income Tax Due Assessed	\$ 4,148,837	\$ 4,701,540	\$ 4,148,540	\$ (553,000)	-12%
Estimated Income Tax Assessed	\$ 2,543,876	\$ 3,045,976	\$ 2,220,651	\$ (825,325)	-27%
Total Dollars Processed	\$ 6,692,713	\$ 7,747,516	\$ 6,369,191	\$ (1,378,325)	-18%

Section
8

Tax Compliance Team

Sandra Pitchford, Team Leader

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Tax Compliance Team Duties

- ◆ Enforce compliance for business license, business personal property taxes, food and beverage tax, lodging tax, and admissions tax.
- ◆ Enforce business tangible property filing for taxation
- ◆ Ensure proper taxation on personal property including vehicles, boats, mobile homes, aircraft and yard sales
- ◆ Conduct taxpayer inquiry investigations
- ◆ Serve as ambassadors for the office of the Commissioner of Revenue throughout the city while performing daily job functions, as well as serving on community committees and attending community meetings as the liaison between the citizens and this office
- ◆ Answering questions, addressing citizen/taxpayer concerns and assisting with interdepartmental referrals regarding a variety of issues

Tax Compliance Team Summary

Table 32a - Tax Compliance activities by category

Activities	FY 2004	FY 2005	FY 2006	Inc/ Dec	% Change
Visits / Contacts (including Delinquent Business Licenses and new Business Discovery)	9,250	11,011	16,916	5,905	54%
Decal Tickets Issued	127	14	0	(14)	-100%
Telephone Contacts	15,118	11,705	8,664	(3,041)	-26%
Cases Completed	533	489	498	9	2%
New Cases Generated	360	488	354	(134)	-27%
Paid Delinquent Business Licenses	1,806	980	1,181	201	21%
Monthly Meal Tax Delinquents	438	456	401	(55)	-12%
Meal Tax - 10 Day Notice	252	172	157	(15)	-9%
Total Investigative Activities	27,884	25,315	28,171	2,856	11%

Table 32b - Tax Compliance activities by amount

Activities	FY 2004	FY 2005	FY 2006	Inc/ Dec	% Change
Delinquent Business Licenses - Paid	\$ 1,505,558	\$ 866,186	\$ 856,699	\$ (9,487)	-1%
Inquiry Visits	219,767	598,565	822,758	224,193	37%
Decal Tickets	6,550	0	0	0	
Monthly Meal Tax Delinquents - Paid	527,981	943,682	569,805	(373,877)	-40%
Meal Tax - 10 Day Notice - Paid	421,981	273,901	271,382	(2,519)	-1%
Total	\$ 2,681,837	\$ 2,682,334	\$ 2,520,644	\$ (161,690)	-6.0%

Brief Description of Activities

Visits/Contacts - contact made by us to taxpayers either in person or by telephone

Inquiries -includes input from taxpayers, other agencies, and in - house discovery, which could result in establishing new business license accounts

Telephone Contacts - incoming and outgoing calls to taxpayers

Decal Tickets Issued - includes tickets issued for violations of boat decals; vehicle decals were eliminated effective January 1 2005

Case Completed - all cases finalized, including cases where investigations have been completed and proper business license accounts have been established if required

New Cases - includes new cases generated for that period from citizen calls, in-house inquiries or other means resulting in an investigator initiating a call or visit

Monthly Meal Tax Delinquents - notice given to businesses that are less than 1 month late remitting Meal Tax

Meal Tax - 10 day Notice - letter sent to businesses by the Business Tax Team for Meal Tax that is more than 1 month late

Real Estate Tax Relief

Carolyn Lawrence, Team Leader

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Real Estate Tax Relief Team Duties

◆ Real Estate Tax Relief

Determine eligibility for real estate tax relief based on the following basic requirements:

- (1) Must be at least 65 years of age or totally and permanently disabled.
- (2) Must live in the property to be exempted.
- (3) Combined income of owners and all relatives living in home cannot exceed \$52,000 per year.
- (4) Net worth, exclusive of the home, cannot exceed \$350,000.

The exemption is granted on an annual basis and a new application must be filed by June 1 each

◆ Real Estate Tax Deferral - new for FY 2007.

Amount deferred is all or a portion of the real estate tax that exceeds 110% of the tax on the property from the previous year.

Eligibility is determined for real estate tax deferral based on the following basic requirements:

- (1) Must be at least 65 years of age or totally and permanently disabled.
- (2) Must live in the property to be exempted.
- (3) Combined income of owners and all relatives living in home cannot exceed \$52,000 per year.
- (4) Net worth, exclusive of the home, cannot exceed \$350,000.

◆ Residential Property Ownership Program - used only in FY 2006.

Basic Requirements;

- (1) Must be used for dwelling improvement or payment of taxes for current year
- (2) Must live in the property for at least three consecutive years
- (3) Household income of owners and all relatives living in the home cannot exceed \$50,000
- (4) Assessed value of property cannot exceed \$175,000
- (5) The 2005 assessment must be at least 10% greater than the 2004 assessment
- (6) Net worth, exclusive of the home cannot exceed \$200,000
- (7) May not participate in Real Estate Tax Relief or Deferral Programs
- (8) All real estate taxes must be current
- (9) Payment is \$150 per year up to a total City of Norfolk expenditure of \$500,000

Real Estate Tax Relief

Chart 34a - Dollar amount of Tax Relief

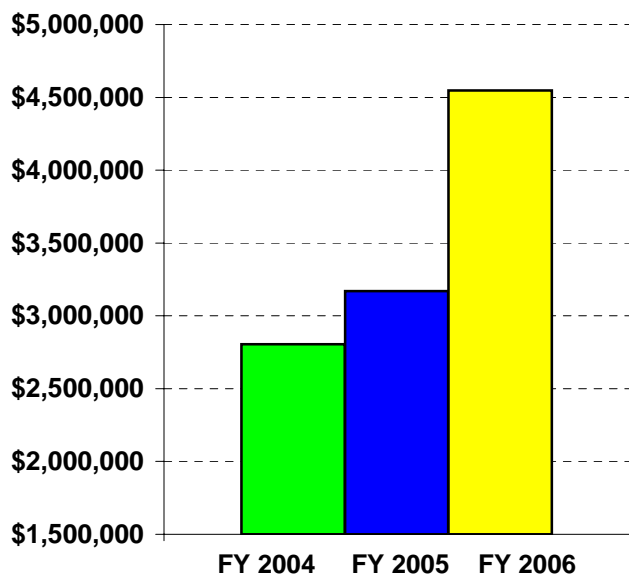


Chart 34b - Number of Homeowners Qualified for Relief by Year

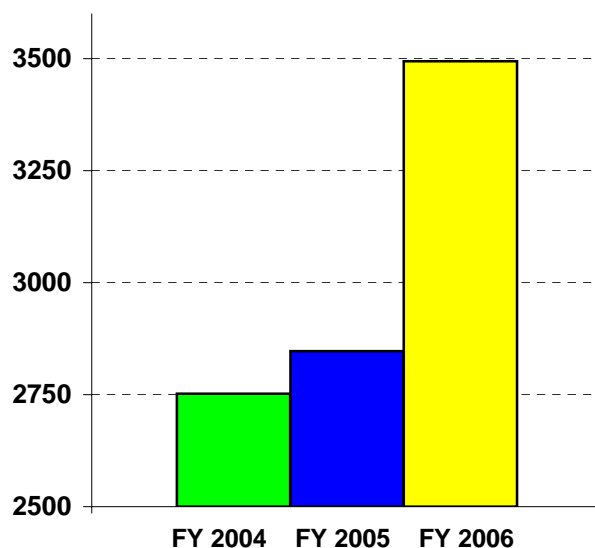


Table 34a - Real Estate Tax Relief

	Year			Dollar Inc/ Dec	% Change
	FY 2004	FY 2005	FY 2006		
Accounts	2,752	2,847	3,494	647	23%
Amount	\$2,805,832	\$3,169,238	\$4,547,433	\$1,378,195	43%

Table 34b - Real Estate Tax Deferral

	Year
	FY 2006
Accounts	102
Amount	\$55,077

Table 34c - Residential Property Ownership Program

	Year
	FY 2006
Accounts	117
Amount	\$17,550

Senior Citizens Real Estate Tax Relief

Table 35a - Real Estate Tax Relief by percentage of exemption

Exemption	FY 2004	FY 2005	FY 2006
100%	1,648	1,617	2521
90%	288	288	322
80%	265	277	214
70%	196	184	156
60%	111	150	92
All other	244	331	189
Total	2,752	2,847	3494

Table 35b - Statistical Information

	FY 2004	FY 2005	FY 2006
Households on Disability	305	336	395
Senior Citizen Households	2447	2511	3099
New Households Added	672	9	656
Households Removed from Program	166	191	53

Table 35c - Households removed from program

Reasons	FY 2006
Sale of Property	23
Death	27
No Response	0
Other	3
Income Became Too High	0
Total	53

Revenue Recap by Classification

Table 35 - Recapitulation of revenue by classification (City Taxes Only)

CLASSIFICATION	FY 2004	FY 2005	FY 2006	INC/ DEC	% CHNGE
Admissions	\$ 4,472,441	\$ 4,379,017	\$ 4,560,536	\$ 181,519	4%
Aircraft	504,279	447,251	617,023	169,772	38%
Boats - Personal WaterCraft	5,162	5,859	5,682	(177)	-3%
Boats - Commercial Vessels	520,263	425,128	415,520	(9,608)	-2%
Boat Decal Sales	81,372	88,107	82,030	(6,077)	-7%
Business License	20,187,445	22,559,199	24,792,484	2,233,285	10%
Cigarette Taxes	6,933,692	6,317,225	6,650,347	333,122	5%
Consumption Tax	775,652	791,189	781,378	(9,811)	-1%
Food and Beverage	25,504,255	26,381,844	27,523,373	1,141,529	4%
Franchise Taxes	4,414,209	4,820,214	5,714,627	894,413	19%
Furniture & Fixtures	15,842,462	16,826,762	17,370,315	543,553	3%
In-Depth Assessments	355,377	809,262	534,688	(274,574)	-34%
Lodging Taxes	6,612,810	6,833,167	7,214,604	381,437	6%
Machinery & Tools	6,955,569	7,978,266	8,314,010	335,744	4%
Mobile Homes	18,758	21,024	21,090	66	0.3%
Omitted Assessments	1,173,284	529,957	2,657,762	2,127,805	402%
Passenger Car Daily Rental	3,046,037	2,705,692	2,937,376	231,684	9%
Public Service Corporation	10,244,715	9,351,816	7,817,926	(1,533,890)	-16%
Residential Parking Decals	22,492	22,058	34,877	12,819	58%
Short Term Rental	207,426	207,961	177,511	(30,450)	-14.6%
Tangible Personal Property	34,252,811	37,962,318	41,160,002	3,197,684	8%
Utility Taxes	38,128,001	38,591,611	37,656,636	(934,975)	-2%
Yard/ Garage Sale Permits	12,960	14,710	11,565	(3,145)	-21%
911 - Fee	3,975,671	3,307,527	4,041,731	734,204	22%
Total	\$ 184,247,143	\$ 191,377,164	\$ 201,093,093	\$ 9,715,929	5%

Appendix A - Tables

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Section

12

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