

Council To Reduce Real Estate Tax Hike

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HARRISONBURG — City Council will vote Monday at a special meeting to cut the real estate tax rate.

On Tuesday, council agreed to reduce the real estate tax 1.5 cents from the amount approved in May as part of the \$220.9 million fiscal 2016 budget, which took effect July 1.

The budget represented a \$6 million increase, or 2.8 percent, from the previous year.

The real estate rate was originally set at 73.5 cents per \$100 of assessed value, an increase of 4.5 cents from the 2015 budget. Under that rate, the owner of a \$200,000 home would pay an additional \$90 per year in taxes.

If approved Monday, the rate would instead be 72 cents per \$100 of assessed value, an increase of 3 cents over last year's budget. Under that rate, the owner of a \$200,000 home would pay \$60 more than last year.

City staff's initial budget proposal presented in the spring requested an increase of 6 cents, but council members called for cuts to lessen the burden on taxpayers.

Councilman Richard Baugh said the real estate tax was raised to provide a cushion in case the city did not have surplus funds at the end of the fiscal year.

The 2016 budget passed 3-2 on May 26, with Councilmen Abe Shearer and Ted Byrd voting against it.

Byrd said the revenue estimates in the original budget were too low, and the city had access to more surplus money than originally thought.

"The tax increase, that didn't have to be so high," he said.

Byrd also said the city was able to cover almost \$ 520,000 in expenses with the surplus money from the previous year.

Shearer said he voted against the budget because he too thought the tax increase was too steep.

"The numbers said there would be a surplus," he said. "I couldn't ask the residents to pay more in taxes when we'd have a \$3 million surplus."

Baugh said that when the budget was approved, council discussed reducing the increase by January, after officials knew how much surplus money the city had.

“We knew we had things coming — like in the school system. We knew we’d need the money,” he said.

However, because taxes are collected in December, council had less time to make the change than originally thought, Baugh said. “We were in a time crunch,” he said. “Because of the way it worked, we had to do it immediately.”

Baugh said raising taxes to balance the budget is an unusual thing for council to do.

“As far as everyone can remember, we haven’t done this before,” he said. “Or, if it did happen, it’s so far out of institutional memory that no one remembers it.”

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