

Rockingham To Address Sales Tax Loss

Goal Of ZIP Code Change To Collect Revenue From Online Transactions

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HARRISONBURG — After getting final approval from the Rockingham Board of Supervisors Wednesday, county residents living in the ZIP codes 22801 and 22802 will soon be able to declare their true residence when writing out their address.

Starting in February, the U.S. Postal Service will begin updating its database so the two ZIP codes will have a default mailing address of Harrisonburg, VA, and an “alternate preferred” address of Rockingham, VA.

An alternate preferred address essentially means residents in those two ZIP codes will be able to use either Harrisonburg or Rockingham in their address, and the USPS will accept both. Any type of commercial mailing will default to Rockingham, VA. The change was sought by the county because for years, residents and businesses inside the ZIP codes have been paying online sales taxes that end up going to Harrisonburg instead of Rockingham, said Michele Bridges, manager of the county’s economic development and tourism.

Because mailing addresses are used to determine which localities receive sales tax revenue from online transactions, money that should be going to Rockingham County is being remitted to the city. While primarily online sales taxes have been lost to the city, other types of taxes such as personal property tax, are also sometimes lost, said County Administrator Joe Paxton. The issue stems from the fact that the 22801 and 22802 ZIP codes have city mailing addresses even if they’re outside city limits. “It’s really difficult to try to determine the exact amount of lost revenue because you don’t know exactly what is going to the city,” Bridges said, but added that at least a few thousand dollars are lost to the city each year. The issue was originally brought to the county’s attention several years ago, when officials began to notice missing tax revenue on online and catalogue purchases and large chain businesses.

Eventually, it was found that the money was inadvertently going to the city because the state Department of Taxation had no way of differentiating county residents in the 22801 and 22802 ZIP codes from city residents.

The county originally planned to create two new ZIP codes for the affected areas, Bridges said. When the USPS reviewed the request, it came back with a suggestion instead to list Rockingham, VA, as the alternate preferred address.

The effect of such an address would be similar in scope to what was done in Massanutten, Paxton said. While McGaheysville is the default address, Massanutten is the preferred alternative of both the resort and residents.

Supervisor Bill Kyger said the change is not an attack on the city.

“We don’t want to take anything from the city,” he said. “We just want to declare what is rightfully the county’s.”

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