

VIRGINIA:

A Work Session on CY 2020 Personal Property Taxes Regarding Boats was held in the Administrative Building Board/Commission Meeting Room of said county on Thursday, December 12, 2019.

Members Present: Jason D. Bellows, Chair
Ernest W. Palin, Jr., Vice Chair
Jack D. Larson, Board Member
William R. Lee, Board Member
Robert S. Westbrook, Board Member

Staff Present: Don G. Gill, County Administrator
Crystal Whay, Clerk to the Board and
Building/Land Use Assistant

Mr. Bellows called the meeting to order at 5:00 p.m.

BOAT TAX DISCUSSION

Mr. Gill stated that the Board of Supervisors put together a Boat Tax Committee in 2014. He stated that they met in 2014 and 2015 and, as a result of those meetings, the Board of Supervisors reduced the boat tax to a percentage where no tax bills would be generated on boats that were 5 tons or more for calendar year 2015 and in calendar year 2016, the Board of Supervisors reduced the tax on all boats.

Mr. Gill referred to the minutes of the 2015 meetings and stated that it was suggested that this issue be revisited in five years to evaluate the effect of the boat tax elimination, which is the reason for this discussion. He stated that he had provided some reports that Thomas Murray did from various years from 2002 until 2015 to both the Board of Supervisors and the former Boat Tax Committee members. He stated that he had also provided the Board of Supervisors copies of the numerous emails that he had received recently concerning the boat tax issue.

Mr. Gill stated that the Board of Supervisors wanted to have a discussion with the original Boat Tax Committee, which included Bruce Sanders, Clay Holcomb, Bill Pennell and Jack Larson. He stated that Mr. Larson is a Board of Supervisors' member now, so everyone was in attendance.

Mr. Bellows stated that his plan was to have a work session with the Boat Tax Committee and then take public comment.

Dr. Westbrook stated that he and Mr. Larson have met a few times to discuss how they are going to be able to come up with the revenue needed for on-going expenses, plus what will be needed in the future, such as schools. He stated that they have had to raise the real estate tax twice in the last two years. He stated that they looked at personal property taxes last month on things such as vehicles. He stated that they wanted to discuss the boat tax separately. He stated that, since the boat tax has been eliminated, the County loses approximately \$386,000.00 each year. He stated that it comes down to how are they going to make it up. He stated that his question is has the benefit to the marine businesses, since the elimination of the boat tax, also benefited the entire county, such as are the citizens who don't own boats enjoying the same benefits as those who do.

Mr. Lee stated that he wanted everyone to understand that the figure of \$386,000 that Dr. Westbrook said was that amount times five. He stated that it was not a one-time hit, but rather every year.

Mr. Larson stated that his comments when he was on the Boat Tax Committee were a matter of record and he has not changed his position. He stated that he probably feels stronger about it now as he has noticed how the tax base has declined with respect to real property. He stated that Paul Lee from Robinson, Farmer Cox Associates will give a summary of the County's financial report at the regular meeting. He stated that report shows that property values have dropped from approximately a \$3.2 billion dollar tax base to a \$2.7 billion dollar tax base since the reassessment in 2012 and has not recovered. He stated that the most recent assessment found that the tax base increased just under four percent, which still does not bring them close to the previous \$3.2 billion dollar tax base.

Mr. Larson stated that the budget has to be balanced and revenues and expenditures must be equal. He stated that he recalled when he was on the Boat Tax Committee, a person said that the Board of Supervisors should be able to come up with \$500,000.00 worth of reductions in expenditures. He stated that has not happened with this Board or the previous Board. He stated that expenditures just keep increasing and something has to give. He stated that there have been more tax delinquencies this year than in any other year and people are hurting. He stated that when he hears someone say if the County reinstates the boat tax, they are going to leave the County or sell their boat, it doesn't resonate with him because there are citizens that not only do not own a boat, but cannot afford a boat. He stated that he and Dr. Westbrook are trying to make the situation fair for everyone. He stated that it was not to say that the County should not try to be more efficient or that they should not take a harder look at expenditures because they should. He stated that if the Board was going to pass the exemption to the boat tax back then, it should have cut expenditures then. He stated that, unless it can be documented that the benefits of having no boat tax, which he did not believe then and doesn't believe now, have accrued for the majority of the citizens in this County, his position will not change.

Dr. Westbrook stated that he did not believe it was absolutely necessary that they reestablish the same tax that they had. He stated that he thought it was fair to have a tax on boats and they needed to figure out at what level that tax should be. He stated that no one wants to drive the boaters away, but there should be a level of tax that is fair and does not hurt the industry.

Mr. Bellows stated that, in his opinion, this was not an expenditure, but an investment in economic development. He stated that, from the start, this was about how they can grow this County with the resources that they have. He stated that they rely on the water, whether it's the working watermen or recreational boating. He stated that the revenues from Middlesex County's boat tax has steadily declined every year since Lancaster County eliminated its boat tax. He stated that the reason is because those boaters are now coming to our County and spending their dollars here. He stated that he thought the evidence will prove that the elimination of the boat tax has been effective and will continue to be in the future. He stated that fairness arguments can be made about any taxes that the government imposes.

Mr. Larson stated that he understood Mr. Bellows' opinion, but all he asked was how they get some objective figures that can come up with \$2 million dollars and show that those dollars don't go to just three or four businesses.

Mr. Bellows stated that he would argue that this Board has been fiscally conservative and looked at ways to cut expenses. He stated that the Board cannot help what the General Assembly imposes and mandates to them and a large chunk of the increases in real property taxes that are imposed on the citizens have been because of the General Assembly passing unfunded mandate after unfunded mandate that the County has no choice but to pay for.

Mr. Lee stated that what he would like to hear from the marina owners is what impacts, if they knew, has the elimination of the boat tax had on other businesses besides theirs. He stated that he did not know how they quantify what impact it has had, such as the creation of new jobs and the effect on local businesses.

Clay Holcomb, owner of Chesapeake Boat Basin in Kilmarnock, stated that he agreed with what Mr. Lee had said, but he would like to say that not one person on the Board of Supervisors has ever called him or come down to talk to him about what effect not having the boat tax has had on his business. He stated that there were only a few marina owners and it would not be hard to talk to them all. He stated that if the Board had a list of questions that they would like to have answered, he would like to have it and he can go to his computer to get the numbers. He stated that there were numbers that he could not get, such as every penny spent by his customers when they go to town, but he knows they go. He stated that marinas are the gateway to the County and a way to get people here and experience how great this area is. He asked what does Lancaster County have, if not the water.

Mr. Holcomb discussed how not having the boat tax has helped him to expand his business. He stated that he had invested in a travel lift and expanded his service facility and hired more people to keep up with demand. He stated that, right before he heard that the Board was talking about the boat tax again, he was getting ready to sign a contract for a dock expansion, but has put that on hold. He stated that it was very hard to make business decisions when the government is constantly changing its mind.

Dr. Westbrook stated that Mr. Holcomb knew that this issue would be revisited in five years.

Mr. Holcomb stated that the issue is revisited every year.

Mr. Holcomb stated that he has added employees, given them medical insurance and done expansions since the elimination of the boat tax. He stated that he has not been pocketing the money.

Mr. Larson referred to Mr. Holcomb's employees and asked how many did he have before the elimination of the boat tax.

Mr. Holcomb replied 7 or 8 employees. He stated that now he has 11 employees.

Mr. Larson asked Bruce Sanders, owner of Rappahannock Yachts in Irvington, how many employees he had.

Mr. Sanders replied that he looked at it differently. He stated that his business was underutilized before the boat tax was changed. He stated that, in the wintertime, he used to have to pay his employees out of his own pocket. He stated that his labor hours increased forty percent after the elimination of the boat tax. He stated that, on top of that, he has added three additional employees.

Mr. Larson stated that he was simply asking how many more hours was Mr. Sanders able to bill after the elimination of the boat tax.

Mr. Sanders replied that the marina owners never once said to the Board that the County would be able to recover all of the tax that was collected with the boat tax. He stated that this was supposed to be an economic incentive, as far as he thought, to help turn the County around.

Mr. Larson stated that he would not dispute that the marinas are doing better and it is helping in terms of the economy, but is it helping to the extent of what they are actually paying for it. He stated that the County cannot afford to forgo \$400,000.00 each year and not get some reasonable rate of return on it.

Mr. Sanders stated that there was no way that the County will collect that \$400,000.00 again. He stated that the first year that the elimination of the boat tax was implemented, the real estate taxes were not raised.

Mr. Larson stated that the real estate taxes have been raised twice since then.

Mr. Sanders stated that it was not fair to blame the deficit on the elimination of the boat tax. He stated that the County has increased Emergency Medical Services and the Sheriff's Department by huge percentages over the last few years and he was not saying that they did not need to do it.

Mr. Larson stated that they have responded to what they believe to be the needs. He stated that they have also cut \$300,000.00 to non-governmental organizations and encouraged them to raise money on their own.

Mr. Bellows stated that the increases in taxes have come from unfunded mandates and not the elimination of the boat tax. He stated that if the marine businesses do well, then the auxiliary businesses will do well.

Mr. Lee stated that what they were trying to do was quantify something that they can't.

Mr. Bellows stated that, unless they got Mr. Murray or his replacement to do similar studies now, all they are talking about is mere conjecture.

Dr. Westbrook referred to the past Boat Tax Committee meetings and stated that from the very first meeting there was talk about benchmarks and they would quantify the results of the elimination of the boat tax. He stated that no attempt has been made to set benchmarks, so now they are having this discussion. He stated that they were not talking about reinstating what was there before, but he believes there is a level of taxation that would be fair.

Mr. Holcomb stated that he understood both sides, but if any tax is added at all, when they try to advertise, it won't draw the people like it does when the advertisement says there is no boat tax.

Mr. Pennell stated that, when this started several years ago, he came with the idea that he was not in favor of eliminating the boat tax. He stated that, during that time, after having conversations about economic development, he changed his mind to support the 5 ton and above tax elimination because, at the time, the marinas were not keeping the big boats in the County over the winter. He stated that he just came back from working at the food pantry and once a month, he looks poverty in the face. He stated that he sees people who have old home places and are trying desperately to keep them and when real estate taxes are raised in favor of what is perceived to be rich people, the ones that have these boats, then the County is not being fair and equitable to those citizens, who also vote. He stated that he understood the marina owners' point of view, but he did not think that forgiving the boat tax on all boats is a plus for Lancaster County.

Mr. Holcomb stated that Mr. Pennell was not in tune with what was going on in the marketplace.

Mr. Pennell stated that he did not think Mr. Holcomb was in tune with poverty.

Mr. Holcomb stated that he was a self-made man and gives to the food bank.

Mr. Holcomb stated that what people did not know was going on in the marketplace concerning boating was, that as technology advances, the prices increase and smaller boats are getting more expensive. He stated that the big boat segment is dying and the market is trending towards smaller outboard-driven boats.

Mr. Pennell stated to Mr. Holcomb that he was making his own case. Mr. Pennell stated that he was making the case for the poor people of this County.

Mr. Holcomb stated that was not what they were there to talk about this evening. He stated that they were supposed to be talking about economic development of the entire County, which can help other people. He stated that boaters are downsizing the size of their boats, so the five-ton limit for taxing would not be viable.

Mr. Larson stated that, at the present time, the Board is just kicking this around and there was no proposal on the table. He stated that Dr. Westbrook had mentioned not going back to the tax on boats like before and asked how marina operators would feel about a slip rental tax that they could decide to pass on to their customers or not.

Mr. Holcomb replied that he did not have a problem with something like that, but why would they penalize people who don't own homes.

Mr. Sanders stated that he did not think that bringing back the boat tax was a good idea from a marketing standpoint. He stated that what they were doing in the marine industry was creating a brand for this County and that brand is that we are boating friendly. He stated that this will bring people here and boost the economy. He stated that it does help their businesses and they benefit from it, but they are the conduit to get the boaters from the water to the land. He stated that the brand will be damaged if the boat tax was reinstated.

Mr. Larson stated that he understood Mr. Sanders' argument, but he was talking about a slip rental tax. He stated that taxes are charged on other kinds of rentals and the marina owners could decide whether or not they wanted to pass the expense on to their customers.

Mr. Sanders replied that they would take a look at it.

Mr. Bellows stated that he was not sure if they could do that by law.

Mr. Lee stated that a comment had been made about going back to the elimination of the boat tax on just the boats five tons and over. He stated that he was on the board when that was decided and his phone started ringing from people who had the smaller boats and how they perceived it as the board doing away with a luxury tax.

Mr. Sanders stated that he would like to get back to the original question that was what kind of value has the elimination of the boat tax brought to the community. He stated that from his personal knowledge he knows of many businesses that are benefiting besides the marina owners. He stated that D & L Marine Construction is a marine construction business and they have all the work that they can do. He also mentioned Docks of the Bay, Mac's Auto World, Creative Designs, Northern Neck Marine, Hanley Electrical Services, Lamberth Building Materials, Custom Yacht Service, Crockett's Landing Marina, Tides Inn Carters Cove Marina, Ward Brothers Tug Boat Service, Kellum Seafood, Ampro Shipyard, Savoy Marine Service, AMC Repair, Extreme Sports, Marine Fabricators, Northern Neck Marine Construction, Moubray Boat Services, American Diesel and Chesapeake Boat Basin to name a few that he knows have benefited from the elimination of the boat tax.

Dr. Westbrook stated that when the Board goes through its normal budget cycle, a lot of non-governmental organizations come to them for a donation and it can be very hard to say no to them. He stated that many of those organizations do good for the community. He stated that he and Mr. Larson looked at personal property taxes based on the book by Weldon Cooper and a small percentage of the County's revenue is generated from personal property compared to our neighboring counties. He stated that, last month, there was a work session on personal property taxes and most people said that they know the money is needed, but they don't want their taxes raised. He stated that what they are trying to do is find a fair way to be able to fund the things that are expected of them, but no matter what they come up with, there is opposition. He stated that he would like to see a tax initiated based on a dollar a foot of each boat, but the state will not allow that. He stated that something between that and what they used to have with the boat tax, could be something that they all could live with. He stated that it could be something that does not hurt the industry, but gives something back to the non-boating public and would help a little on the revenue side, in his opinion.

Mr. Bellows stated that figuring out tax rates is a difficult decision that this Board goes through deliberately every year. He stated that they also look for inefficiencies every year. He stated that if they want real cuts in taxes, it may mean less services to the public. He stated that it means maybe there is not a police force twenty-four hours a day or the rescue squad takes an hour to get to a patient in the middle of the night. He stated that if that's what the people want, that's what they are going to get. He stated that it goes back to what can this Board do to move the County forward and brand the County as boater friendly. He stated that, five years ago, they looked at this and made the decision. He stated that the water is what they have to sell and he felt that it had been effective. He stated that the boatyards are full and it was not like that, in the winter, five years ago.

Mr. Lee stated that he knew the growth that had happened at Mr. Holcomb's business because he sees it from across the creek.

Mr. Sanders stated that eventually the counties of Northumberland and Middlesex will also have zero boat tax in his opinion. He stated that five years has not been enough time to see how effective this will be for the future. He stated that he thought the counties needed to join forces and put some pressure on the legislature to give them some more taxing authority.

Mr. Bellows stated that one of the main focuses of the Virginia Association of Counties this year was to push the General Assembly for equal taxing authority.

Mr. Palin stated that he had been looking forward to the meeting with the marina owners because he wanted to hear what they had to say on how the elimination of the boat tax has impacted them and those around them.

Mr. Pennell stated that, with personal investments, people should diversify and not put everything in one place. He stated that he was asking them to think about real estate taxes in the same way and not rely on that, one hundred percent, for revenue.

Mr. Bellows asked if there were any other comments.

Mr. Sanders stated that it was hard to make a business plan if every year he was wondering if the boat tax would be reinstated. He stated that he would like the Board to consider making no boat tax permanent.

Mr. Bellows stated that any board can vote for that, but the make-up of the board can change with each election and it would be hard to say what another board would do.

Dr. Westbrook stated that he appreciated everyone attending the meeting and he also appreciated the list of businesses that Mr. Sanders had given. He stated that they know some of what will be expected of them in the near future and they are trying to come up with ideas for possible revenues.

Mr. Sanders referred to the expenditures side of the ledger and suggested that the Board get some input on that from a citizen committee.

Mr. Larson stated that the Board will start, probably as soon as January, with budget work sessions which are open to the public and generally there are only two citizens that attend. He stated that, when they considered the budget for this fiscal year, not one citizen attended that public hearing. He stated that those of them that wanted to cut expenditures had zero support, so he did not want to hear about another committee.

Mr. Bellows opened the floor for public comment.

Tom Littner stated that he was a new resident of Kilmarnock and he was disappointed because when the meeting began, it sounded like an interrogation from the Board of two particular companies. He stated that this is about economic development and he agreed with almost everything that Chairman Bellows had said. He stated that he did not agree with almost anything that Mr. Larson and Dr. Westbrook said because they are combining an accounting issue with the complexity of economic development. He stated that Mr. Sanders' list of businesses was a good example of the diversity of the marine business and it is not an easy thing to calculate. He stated that they would need an outside expert to really know what the monetary value of the elimination of the boat tax really was.

Tom Chapman, an Irvington resident, stated that he was the past Commodore of the Rappahannock River Yacht Club. He stated that this is an economic development issue and a little bit of tax is the same as a lot of tax. He stated that no tax was the right number. He stated that, since the elimination of the boat tax, his yacht club was doing much better. He stated that more people will move into the area because it is considered marine friendly.

Mason Washington stated that he moved here recently partly because of the elimination of the boat tax.

Rick Adams stated that he spends a lot of money here in the County and also has his boat here. He stated that he did not think the County should reinstate the boat tax.

Roger Atkins, a Kilmarnock resident, stated that he was not a boater. He stated that he had a different vehicle that he enjoyed, but he pays his taxes on it, so there is another aspect to it.

Scott Vail stated that he owned a yacht brokerage. He stated that he was not in the marina business and wanted to make one point. He stated that the boats in the boatyards now are getting older and losing value, so there is not that much to tax anymore. He stated that people are spending money on older boats because they enjoy them.

Howard Kyzer, a District 3 citizen, stated that either a small tax or a large tax on boats will do the same amount of damage to the industry.

Ken Knull, a District 1 citizen, stated that he owns Yankee Point Marina and stated that the water was why people come to the County and the tax base would continue to decline if the Board decides to reinstate the boat tax.

Mr. Bellows closed the public comment period and stated that anyone else who wanted to comment on the boat tax could do so at the 7:00 p.m. Board meeting during the public input period.

ADJOURNMENT

Motion was made by Mr. Bellows to adjourn.

VOTE:	Jason D. Bellows	Aye
	Ernest W. Palin, Jr.	Aye
	Jack D. Larson	Aye
	William R. Lee	Aye
	Robert S. Westbrook	Aye