

VEHICLE VALUATIONS FOR TAX YEAR 2021

The Impact of COVID-19 on Vehicle Valuations for Personal Property Tax Year 2021

If you have purchased or sold a vehicle in the past year, this information may come as no surprise to you. By the first of October, vehicle owners will begin receiving 2021 personal property tax bills. The following information is intended to provide insight into the January 1st, 2021 value of your vehicle.

I will begin by sharing how vehicles must be valued for local property tax purposes. The Code of Virginia specifies that, for most vehicles, in order to arrive at fair market value, the value shall be (1) from a recognized pricing guide, (2) applied uniformly, and (3) as of January 1 of the tax year. Like all localities throughout Virginia, King and Queen County uses the J. D. Power Official Used Car Guide (formerly known as NADA). In accordance with the Code of Virginia §58.1-3503 and §58.1-3515, King and Queen County Commissioner of Revenue office uses the "Clean Trade-in Value", January edition, as fair market value for most used vehicles.

Historically, vehicle values tend to depreciate from month to month. As such, the predicted value of any vehicle would be lower than the value of the same vehicle the previous January. However, the impact of Covid-19, among other factors, has resulted in a market which is anything but usual. Please continue reading for an explanation from J. D. Power of how the pandemic has impacted the vehicle market.

According to J. D. Power (February 2, 2021), "under normal market conditions, the observed year over year value increases would be unusual. Unfortunately, the Covid-19 pandemic, had made the current auto market anything but usual. Just over the Summer 2020, prices increased over 10% for the US used market as a whole. This was simply due to demand outpacing supply, which occurred both as a result of large fleet companies holding on to their inventories longer and factories being temporarily closed, as well as other micro and macro-economic factors. The phenomenon has been observed in every segment of the used car market. In fact, these year over year price increases are much more prevalent and far more massive in the pickup truck segments vs. the market in general".

Some other factors contributing to the unprecedented upward movement in vehicle valuations include a strong demand fueled by Federal Reserve cutting interest rates to near 0% in March 2020 and the influx of government stimulus money.

As a result of a strong demand with limited supply, many vehicle valuations for tax year 2021 are not following the historical trend of depreciating from one year to the next. For tax year 2021, many vehicles will be valued higher this year than the same vehicle was valued last year. In the event that your vehicle is valued higher this year than that same vehicle was valued last year, I hope this information helps explain why.

If you have any questions, please call or email the office.