



Rural Virginia Prosperity Commission

STRUGGLING TO FINANCE LOCAL SERVICES IN RURAL COUNTIES

Rural counties struggle to find ways to finance necessary local services such as education and police and fire protection. Real property tax rates are typically lower in rural areas; consequently, the quick response is often “raise your tax rates and everything will be okay.” But that simplistic fix is not the answer for a number of reasons.

- Taxing real property involves taxing non-income producing sources of wealth. The real property in rural counties, including land, may be earning little or no income with which to pay taxes.
- Counties adjacent to urban areas experience significant out-commuting to employment centers in the urban areas. These same rural localities typically have little or no commercial activity to share the tax burden, which puts added tax pressure on rural residential properties.
- Rural communities with low real property tax rates are not shirking their responsibilities to support local schools and other local services. In many of these counties, per capita incomes are less than 60 percent of state average income.
- When allowance is made for housing and other costs of living, the taxpayers in rural counties where the tax rate is low are often paying a higher percent of their disposable income in local taxes than taxpayers in more affluent counties.
- Operating expenses of local government in the poorest rural counties are more than 20 percent of the adjusted gross incomes in those counties compared to less than 9 percent in the wealthiest urban counties, confirming the pressure on rural residents. .

Meeting local fiscal needs to support public services in many rural counties is unlikely to be simple or easy.