

Virginia

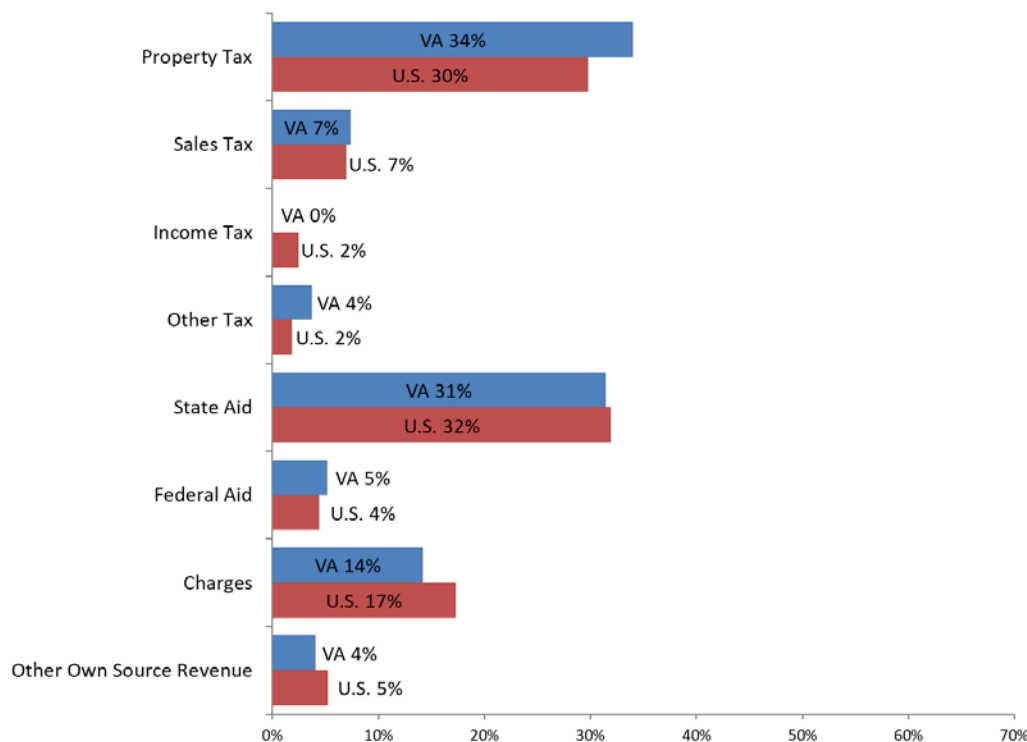
Highlights

The State of Virginia relies on a diverse tax mix, but the largest sources of state tax revenue are the individual and corporate income taxes and the state sales and use tax. The local tax base is roughly representative of the nation as a whole (figure VA-1). Property taxes make up the majority of local tax revenue, but localities collect a variety of other taxes, including utilities charges, sales and use taxes, excise taxes, and business licensing taxes.

Virginia does tax tangible personal property, including inventories, which few states tax. Furthermore, a study of tangible personal property taxes per capita found that Virginia ranked first in the nation at \$376 per capita (Errecart, Gerrish, and Drenkard 2012).

Unlike most states, Virginia does not provide state-funded property tax relief, and most of its property tax relief is local option. The only property tax relief mandated statewide is a full exemption from taxation on real property for disabled veterans with a 100 percent service-connected permanent and total disability.

Figure VA-1
Sources of Local General Revenue, Virginia and U.S., 2014



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

The effective tax rate for the median value owner-occupied home in Virginia is at 0.8 percent, well below the national median. However, total property tax collections as a share of combined state-local revenue are thirteenth in the nation (table VA-1).

Table VA-1
Selected Virginia Property Tax Statistics, 2014¹

	Virginia	U.S. Average	Rank (of 51) <i>1 is highest</i>
Per capita property tax	\$1,459	\$1,464	19
Property tax percentage of personal income	2.9%	3.2%	23
Total property tax as percentage of state-local revenue	18.6%	16.9%	13
Median owner-occupied home value ²	\$245,000	\$178,600	12
Median real estate taxes paid for owner-occupied home ²	\$1,948	\$2,149	23
Effective tax rate, median owner-occupied home ³	0.8%	1.2%	36

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

¹ All revenue numbers in this table include the state government as well as local governments.

² The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2011-2015.

³ Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Virginia has 518 local governments with taxing authority, including counties, cities, towns, and special districts. Unlike in many other states, public school districts are not independent governmental units; they are dependent on the counties and municipalities for appropriations.

For property tax purposes, any property not subject to “use value assessment” must be assessed at 100 percent of fair market value. Virginia permits local governments with a comprehensive land use plan to use “land use value” (or use value) assessments, rather than market value assessments, for agricultural, horticultural, forest, and open space land. Commentators have noted that golf courses qualify under the statutory definition of “open space property.” At least 43 percent of localities have some real estate subject to use value assessment, and most have had an ordinance implementing use value taxation since the 1970s or early 1980s. More than 10.5 million acres in Virginia are subject to use value assessment (which is about 40 percent of the state’s total acreage) (Knapp and Kulp 2014).

Local governments are responsible for assessing property and levying and collecting property taxes (table VA-2). Localities are also largely unconstrained in the tax rates that they can set. Many cities and counties do not have a full-time assessor and contract with private parties who perform the

assessments. Cities with a population over 30,000 are required to do general reassessments every two years, and counties with populations over 50,000 must assess every four years; below these population thresholds, counties may elect to assess less frequently.

Limits on Property Taxation

A locality may not increase the real estate tax levy by more than 1 percent after a general reassessment or in general unless it provides public notice and holds public hearings. That notice must include, among other things, the percentage difference between the tax rate that the locality proposes to impose, and the tax rate that, when applied to the previous assessed values, would generate the same tax levy as last year.

Property Tax Relief and Incentives

State law permits local governments to grant both exemptions and tax-deferral benefits to elderly and disabled persons. At least 75 percent of cities, counties, and towns offer such a relief plan to the elderly, disabled, or both (Knapp and Kulp 2014). Localities are also permitted to create circuit breakers for the nonelderly and grant deferrals of large year-on-year property tax increases, but very few localities provide either one. Beginning in 2015, certain surviving spouses of members of the armed forces killed in action became entitled to a property tax exemption.

Virginia provides several property tax incentives for economic development, including enterprise zones and tax increment finance.

Table VA-2
Property Tax Features of State Governments, United States, 2015

Feature	Virginia	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	19
Circuit breaker property tax relief program	No	34

Sources: Significant Features of the Property Tax

Key Property Tax History

The current version of the Virginia Constitution became effective in 1971 and was the first wholesale revision of the foundational law since 1902. This version made some significant changes to the property tax. In addition to providing for use value taxation for the first time, the 1971 Virginia Constitution permitted municipalities to grant property tax exemptions to the elderly. This permission was extended in 1977 to cover exemptions for disabled persons. In both cases, the authorization to provide exemptions was restricted to those persons who were “deemed by the General Assembly to be bearing an extraordinary tax burden on said property in relation to their income and financial worth.” Beginning in 2011, however, the Constitution was amended to eliminate this requirement and instead provide localities with the discretion to impose income or financial-worth limitations on the exemptions.

Recent Developments

In 2017, a constitutional amendment was signed into law allowing localities to offer an additional property tax exemption, this time for the real property of surviving spouses of police, firefighters and EMTs killed in the line of duty (State Tax Today 2017).

In October 2017, Gov. Terry McAuliffe (D) announced that Facebook would be locating a new data center in Henrico County, Virginia. The project was projected to involve an additional \$1 billion of investment and to provide more than 100 additional jobs. This announcement came about six months after the Henrico County Board of Supervisors reduced its property tax rate on computer and equipment for data centers by about 88 percent (Loricchio 2017).

Resources

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