Virginia Local Taxation

Real Property Tax Proposals in Other States, Virginia's Local Tax Framework, and Approaches to Property Tax Relief

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Virginia Tax



The median home price in the U.S. is $356,000 according to US News and World Report.

Virginia's median home price is above the national median at $386,000.



This number continues to grow, according to the Federal Housing Finance Agency (FHFA), house prices rose **2.1%** between the second quarter of **2025** and the second quarter of **2026**.

House prices rose in **46** states, and FHFA ranked Virginia at **#24** with home prices increasing **3.1%** in the last year.

Introduction

- Higher assessed values can raise property tax bills when tax rates stay the same.
- In November 2026, Florida and California voters will decide statewide measures on local taxing authority.
- Both states have limited increases in real property assessments for decades (Florida since 1992, California since 1978).

Florida Example

- Current law: In 1992, Florida approved Amendment 10 (Save Our Homes), which limits annual increases in homestead (primary residence) assessments to the lesser of 3% or inflation.
  - Up to $500,000 in assessment decrease may be transferred to a new homestead upon a qualifying sale.
  - Florida also exempts about $50,000 of homestead value from non-school taxes ($51,411 in 2026, indexed) and $25,000 from school taxes.

Florida Example

- Amendment 3 on the November 3, 2026 ballot (60% voter approval needed):
  - Non-school homestead exemption rises to up to $150,000 in 2027 and $250,000 in 2028, indexed to inflation from 2029. The $25,000 school exemption stays.
  - New residents start at $50,000 and phase in over five years.
  - Cuts the cap on non-homestead assessment growth from 10% to 5% and limits what local property tax revenue can fund.
  - Directs the Legislature to set a procedure for counties and cities to raise the exemption further.

California Example

- Since 1978: Proposition 13 limits the property tax rate to 1% and assessment growth to 2% a year, with reassessment on sale or new construction. It also requires a two-thirds vote for local special taxes.
- Since 2017: Court decisions have let citizen initiatives avoid some of those voter-approval rules. A 2020 appellate decision held that a citizen-initiated special tax needs only a simple majority.
- November 2026: Proposition 43 would require a two-thirds vote for citizen-initiated special taxes beginning in 2027. It doesn't change the assessment limits.

Virginia Local Taxes

What can localities tax?

Dillon's Rule and the Virginia Constitution

- Virginia follows Dillon's Rule: localities have only the powers the General Assembly grants expressly or by necessary implication, plus powers essential to their purposes. Any doubt is resolved against the locality.
- The General Assembly may define and classify taxable subjects.
  - Real estate, tangible personal property, and certain other lands are reserved to local taxation, and the General Assembly sets how they are assessed. Only the exemptions the Constitution lists are allowed.

Constitutional Restrictions: Article X

- **Uniformity** (Article X, Section 1)—all taxes must be uniform upon the same class of subjects within a locality, except for:
  - Different real estate rates in areas a city or town has annexed, or in a new unit of government, if the differences relate to differences in services provided.
  - Tangible personal property owned by certain seniors or disabled persons.
- Assessments (Article X, Section 2)—all assessments of real estate and tangible personal property shall be **at their fair market value** as prescribed by law.

Constitutional Restrictions: Article X

- Local Taxes (Article X, Section 4)—only localities may tax:
  - Real estate, coal and other mineral lands, and tangible personal property (except rolling stock of public service corporations).
  - Even if included in the list above, localities may not tax any item exempted in full or in part from taxation under Article X, Section 6, Section 6-A & Section 6-B (Property of the Commonwealth, religious bodies, veterans, etc.).

Counties vs Cities and Towns

- All localities are bound by Dillon's Rule. Cities and towns generally have broader taxing power than counties, largely through their charters.
- Counties may levy only taxes the General Assembly authorizes; most are capped.
- Cities and towns may levy meals, lodging and admissions taxes with no statutory rate cap (§ 58.1-3840). Cigarette and business license rates are capped for all.
- A county tax on business licenses, cigarettes, utilities, meals or lodging generally doesn't apply in a town that taxes the same thing. Both tax real and personal property.

Virginia Local Taxes

What do localities tax?

Beyond real property and personal property, most local taxes are narrower and carry statutory caps or limits:

- Sales and use
- BPOL (Business, professional and Occupational License)
- Merchant's capital
- Consumer utility
- Motor vehicle license
- Recordation
- Cigarettes
- Meals
- Occupancy
- Admissions
- Daily rental property
- Bank franchise
- Severance
- Machinery and tools

Statutory Caps on Local Taxes

- Meals (counties): up to 6% (§ 58.1-3833)
- Admissions (counties): up to 10% (§ 58.1-3818)
- Meals, lodging, admissions (cities, towns): no cap (§ 58.1-3840)
- Local sales tax: 1%, plus 1% for schools by referendum (§§ 58.1-605, 605.1)
- Real estate: no statewide rate cap, with a rollback hearing (§ 58.1-3321)

Virginia Real Property Tax

- Real property tax is the largest locally raised revenue source.
  - Statewide, it is about half of local-source revenue (APA, FY2025).
  - Tax Year 2024 real estate levies were about $15 billion.
    - That is roughly three times the personal property levy of about $5 billion.

Property Tax Relief Approaches

What exists in Virginia and in other states?

Common Approaches to Property Tax Relief

Approach	Virginia	Other states
Rate reductions	Set locally	Common
Assessment caps and homestead exemptions	Not available absent a constitutional amendment	FL, CA, GA
Levy limits	Already in statute (§ 58.1-3321)	Varies
Revenue swaps	Limited by statute	Some states
Rebates, deferrals, exemptions for elderly and disabled	Local option, state-mandated for disabled veterans	MI, PA, VT

Rate Reductions

- Localities can lower the real estate tax rate to offset rising assessed values.
  - Relief applies to all taxpayers in proportion to their tax.
  - Local revenue falls accordingly.
- Virginia localities set their own real estate rates. When reassessment raises the levy 1% or more, a rollback or separate public hearing is required (§ 58.1-3321).

Assessment Limits

- Assessment limits cap how much an assessment can rise each year. Homestead exemptions exempt a set amount of a primary residence's value.
- Virginia has neither. Assessments must be at fair market value, and the Constitution lists the permitted exemptions.
- Localities can offer relief to owners 65 and older and the permanently disabled, and can defer the part of a tax bill above 105% of last year's.

Levy Limits

- Levy limits cap growth in a locality's total property tax levy from year to year.
- Virginia has a "soft" statewide levy limit (Va. Code § 58.1-3321): if reassessment would raise the total real estate levy 1% or more, the rate must be rolled back to produce no more than 101% of last year's levy, excluding new construction. A higher rate requires a separate public hearing with advance notice.

Revenue Swaps

- Reducing real property tax levies and replacing the lost revenue with new tax revenue or increases to existing tax revenues.
  - In Virginia, most other local taxes are set by statute with caps or limits, which narrows the options for replacing property tax revenue.
  - Some states use state-funded income tax credits to deliver property tax relief.

Rebates/Discounts

- Targeted programs provide a rebate of property taxes paid or an upfront discount.
  - Funding varies. Some programs are state funded (MI, PA, VT); local programs reduce local revenue.
  - Most “circuit breaker” programs give a rebate or discount to qualifying taxpayers, often targeted by household income, age (65+), or disability.

Virginia Exemptions and Deferrals

- Virginia examples include:
  - Local exemptions or deferrals for owners 65 and older and the permanently disabled, with eligibility set by local ordinance.
  - Local deferral of the part of the real estate tax above 105% of the prior year's tax.
  - A constitutional exemption for 100% disabled veterans and certain surviving spouses.

Thank You!



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Appendix

Other State Examples

Georgia

- Georgia's Save the Homes Act (HB 581), enacted in 2024
- Intended to limit increases in homestead property taxes
  - A "floating" homestead exemption that limits annual increases in a home's assessed value to inflation.
  - Applies by default; local governments could opt out by March 1, 2025.
  - The exemption sets a base-year value that resets when the home is sold.

- Michigan's Homestead Property Tax Credit (HPTC)
  - Refundable "circuit breaker" credit: relief applies when property taxes exceed 3.2% of total household resources.
  - Credit is generally 60% of the amount over that threshold, up to $1,900 (2025).
  - Eligibility for the program:
    - Must be a Michigan Resident for at least 6 months
    - Total household resources of $71,500 or less
    - Taxable value of $165,400 or less (homeowners)
    - Homeowners or renters

Pennsylvania

- Pennsylvania's Property Tax/Rent Rebate program provides rebates of $380 to $1,000 to qualifying homeowners and renters, based on household income.
  - Household income must be $48,110 or less.
- Supplemental Rebates
  - Additional $190 to $500 for homeowners with income of $32,070 or less who live in Philadelphia, Pittsburgh or Scranton, or whose property taxes exceed 15% of income.
- Eligibility for the program:
  - Age 65 or older; widows and widowers 50 or older; or people with disabilities 18 or older.

- Vermont Property Tax Credit
  - Income-based relief for homeowners whose property taxes are high relative to household income.
  - The maximum credit is $5,600 for the state education tax and $2,400 for the municipal tax.
  - Household income of $115,400 or less (2025 income).
    - Domiciled in Vermont throughout 2025
    - Own and occupy the home as a homestead as of April 1
    - No minimum age