

2025 Legislative Summary

Virginia Department of Taxation

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James J. Alex
State Tax Commissioner
Commonwealth of Virginia
www.tax.virginia.gov



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Introduction

The Legislative Summary is published by the Department of Taxation (“Virginia Tax” or “the Department”) as a convenient reference guide to state and local tax legislation enacted by the 2025 Regular Session of the General Assembly. Please note that this does not include any legislation enacted after May 2, 2025. The Summary includes a general description of enacted legislation affecting:

- ▶ State taxes administered by the Department; and
- ▶ Local taxes for which the Department assists with administration or upon which the Department renders advisory assistance.

References to chapter numbers are to the corresponding chapters in the **2025 Acts of Assembly**, which may be viewed at <http://lis.virginia.gov>. Effective dates of the legislation vary and are set out in each description.

In general, legislation affecting taxes administered by other state agencies is not included in the Summary.

The Summary is intended to provide a synopsis of enacted legislation and is for informational purposes only. The Summary is not a substitute for the actual state law, local ordinances, and the Department’s regulations or guidelines. Additional information on new legislation affecting state taxes may be obtained from the Department’s website at www.tax.virginia.gov. Additional information on new local tax legislation should be obtained from your local Commissioner of the Revenue, Treasurer, or Director of Finance.

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State Tax Legislation

General Provisions

Conformity

The twelfth enactment clause of the 2025 Appropriation Act (House Bill 1600, Chapter 725) temporarily pauses Virginia’s “rolling” conformity to the Internal Revenue Code (“IRC”).

Under current law, Virginia conforms to federal tax changes to the IRC as soon as they are enacted by Congress, with certain exceptions. Virginia deconforms from any amendment that would increase or decrease General Fund revenues by more than \$15 million in the fiscal year in which the amendment was enacted or any of the succeeding four fiscal years. The \$15 million threshold is adjusted for inflation annually beginning in 2024. Virginia will also deconform from all amendments occurring between adjournment sine die of the previous regular session of the General Assembly and the first day of the subsequent regular session of the General Assembly if the cumulative impact of such amendments would increase or decrease General Fund revenues by more than \$75 million in the fiscal year in which the amendments were enacted or any of the succeeding four fiscal years. Deconformity under rolling conformity will not apply to any federal tax changes that the General Assembly subsequently adopts or to any federal tax extender.

Pursuant to this Act, Virginia will not automatically conform to any amendment to the IRC enacted on or after January 1, 2025, but before January 1, 2027, with a projected revenue impact that would increase or decrease General Fund revenues by any amount in the fiscal year in which the amendment was enacted or any of the succeeding four fiscal years. However, Virginia will continue to conform to any federal tax changes that the General Assembly subsequently adopts and to any federal tax extenders.

Effective: May 2, 2025
Superseded: § 58.1-301

IRMS Replacement

Item 260 (E) of the 2025 Appropriation Act (House Bill 1600, Chapter 725) provides funding associated with the replacement of the Department’s Integrated Revenue Management System (“IRMS”). Funding is contingent on the Department including in its contract with the selected vendor an electronic filing system for individual income tax that can be used by all Virginians. This Act further requires the Department to report by September 1 of each year to the Chairs of the House Appropriations and Senate Finance and Appropriations Committees on the current status of the IRMS replacement, the funding expended in the prior fiscal year, project milestones achieved in the prior fiscal year, and any potential concerns that may impact the project's timeline and success.

Effective: May 2, 2025

Income Tax Legislation

Individual Income Tax Rebates

Item 258 (GG) of the 2025 Appropriation Act (House Bill 1600, Chapter 725) allows an individual income tax rebate of up to \$200 for a single taxpayer, or up to \$400 for married taxpayers filing a joint return.

In order to qualify, a Taxable Year 2024 return must be filed on or before November 3, 2025. A rebate is allowed only up to the amount of the taxpayer's tax liability after the application of any deductions, subtractions, or credits to which the taxpayer is entitled. For those filing a return before July 1, 2025, refunds that are determined to be due to eligible taxpayers must be issued on or after July 1, 2025, but before October 15, 2025.

This Act also requires that any refunds issued are subject to collection under the Setoff Debt Collection Act and that interest will not be paid on such refunds.

Effective: Taxable years beginning on and after January 1, 2024, but before January 1, 2025

Standard Deduction

The eleventh enactment clause of the 2025 Appropriation Act (House Bill 1600, Chapter 725) increases the standard deduction from \$8,500 to \$8,750 for single filers and from \$17,000 to \$17,500 for married filers filing jointly for taxable years beginning on and after January 1, 2025, but before January 1, 2027. The increased standard deduction amounts are scheduled to sunset after Taxable Year 2026 and revert to the standard deduction amounts that applied prior to Taxable Year 2019, \$3,000 for single filers and \$6,000 for married filers filing jointly.

Effective: Taxable years beginning on and after January 1, 2025, but before January 1, 2027
Amended: § 58.1-322.03

Refundable Earned Income Tax Credit Increase

The eleventh enactment clause of the 2025 Appropriation Act (House Bill 1600, Chapter 725) increases the amount of Virginia's refundable earned income tax credit ("EITC") from 15 percent to 20 percent of the federal EITC for taxable years beginning on and after January 1, 2025, but before January 1, 2027. Virginia's refundable EITC expires for taxable years beginning on and after January 1, 2027. Virginia's nonrefundable EITC does not expire and remains equal to 20 percent of the federal EITC.

Effective: Taxable years beginning on and after January 1, 2025, but before January 1, 2027
Amended: § 58.1-339.8

Pass-through Entity Tax: Extension of the Sunset Date

The eleventh enactment clause of the 2025 Appropriation Act (House Bill 1600, Chapter 725) extends the sunset date for the elective Pass-through Entity Tax ("PTET") and the corresponding Refundable PTET Credit from January 1, 2026, to January 1, 2027.

Effective: Taxable years beginning on and after January 1, 2026, but before January 1, 2027
Amended: § 58.1-390.3

Estimated Tax Threshold Increase

The fifth enactment clause of the 2025 Appropriation Act (House Bill 1600, Chapter 725) increases the payment threshold for estimated payments of individual or fiduciary income tax from \$150 to \$1,000 for the taxable year.

Under current law, taxpayers must make estimated tax payments, or have additional income tax withheld throughout the year from their wages or other income, if they are required to file a tax return and have an expected Virginia income tax liability, after subtracting income tax withheld and any allowable credits, of more than \$150. Generally, estimated payments must be filed quarterly and, for calendar year filers, are due on May 1, June 15, and September 15 of the taxable year, and January 15 of the following year.

An "addition to tax" is imposed if an estimated payment is required and such payment is either insufficient or untimely. The addition to tax does not apply if each required installment is paid on time and meets one of the following exceptions:

Exceptions based on your current taxable year income:

- ▶ Each installment payment is at least 90 percent (66 2/3 percent for farmers, fishermen or merchant seamen) of amount due based on the taxable year's annualized income or actual taxable income. OR
- ▶ The sum of all installment underpayments for the taxable year is \$1,000 or less.

Exceptions based on your preceding taxable year income:

- ▶ Each installment payment equals or exceeds the required payment computed by using your income for the preceding taxable year and the current year's exemptions. OR
- ▶ Each installment payment equals or exceeds the prior year's tax liability for each installment period and the prior year return was for a full year and reflected an income tax liability.

If a taxpayer does not qualify for an exception, their underpayment computation for the purposes of the addition to tax will be based on 90 percent of the current year's income tax liability or 100 percent of their liability for the preceding year, whichever is less.

Effective: Taxable years beginning on and after January 1, 2026
Amended: § 58.1-492

Firearm Safety Device Tax Credit Expansion

House Bill 2595 (Chapter 289) and Senate Bill 1389 (Chapter 303) amend the definition of an “eligible transaction” for the Firearm Safety Device Tax Credit to allow a qualifying firearm safety device to be purchased from a “commercial retailer” defined as a business that sells goods or services to customers in a retail setting and is properly registered as a dealer pursuant to *Va. Code* § 58.1-613. Previously, only purchases from federally licensed retailers were permitted.

Effective: Taxable years beginning on and after January 1, 2025, but before January 1, 2028
Amended: § 58.1-339.14

Qualified Equity and Subordinated Debt Investments Tax Credit Repealed

House Bill 2653 (Chapter 306) adds a sunset provision to the Qualified Equity and Subordinated Debt Investments Tax Credit, which results in the tax credit being repealed for Taxable Years 2026 and thereafter.

Effective: July 1, 2025
Amended: § 58.1-339.4

Voluntary Contributions: The Board of the Blind and Vision Impaired

House Bill 2696 (Chapter 311) adds the Board for the Blind and Vision Impaired (“the Board”) to the list of organizations and funds on the individual income tax return that may receive voluntary contributions from taxpayers. The Act requires that the money contributed by taxpayers be paid to the endowment fund of the Board for use in its mission in providing quality services to assist citizens of the Commonwealth who are blind, vision impaired, or deafblind in achieving their desired level of employment, education, and personal independence.

Effective: July 1, 2025
Amended: § 58.1-344.3

Recyclable Materials Processing Equipment Tax Credit: Extension of the Sunset Date

Item 3-5.26 of the 2025 Appropriation Act (House Bill 1600, Chapter 725) extends the sunset date for the Recyclable Materials Processing Equipment Tax Credit from January 1, 2025, to January 1, 2027.

Effective: Taxable years beginning on and after January 1, 2025, but before January 1, 2027
Superseded: § 58.1-439.7

Housing Opportunity Tax Credit

The ninth enactment clause of the 2025 Appropriation Act (House Bill 1600, Chapter 725) extends the sunset date for the Housing Opportunity Tax Credit from January 1, 2026, to January 1, 2031, increases the annual credit cap from \$60 million to \$64 million, and increases the aggregate credit cap across all calendar years from \$255 million to \$575 million.

This Act also requires that for each calendar year, \$20 million of such credits are to be reserved for qualified projects located in a geographic area within the Balance of State Pool. The Balance of State Pool is defined by the Qualified Allocation Plan promulgated by the Virginia Housing Development Authority as the remaining geographic area of Virginia after the Northern Virginia, Northwest/North Central Virginia, Richmond MSA, and Tidewater MSA geographic areas are excluded.

Effective: Taxable years beginning on and after January 1, 2026, but before January 1, 2031
Amended: §§ 58.1-439.29 and 58.1-439.30

Expiring Income Tax Provisions

The following income tax provisions have expired or will expire prior to the commencement of the 2026 Regular Session of the General Assembly:

- ▶ Expired as of January 1, 2025:
 - ▶ The Eligible Educator Expense Deduction,
 - ▶ The Reforestation and Afforestation Tax Credit,
 - ▶ The Worker Training Tax Credit for manufacturing orientation, instruction, and training,
 - ▶ The Green and Alternative Energy Job Creation Tax Credit,
 - ▶ The Research and Development Tax Credit, and
 - ▶ The Major Research and Development Tax Credit.
- ▶ Expires on July 1, 2025:
 - ▶ The Major Business Facility Job Tax Credit and
 - ▶ The Worker Training Tax Credit for eligible worker training.
- ▶ Expires on January 1, 2026:
 - ▶ The Disabled Veteran Student Loan Exclusion,
 - ▶ The Out-of-State Tax Credit ("OSC") for PTET paid to another state, and
 - ▶ The Tax Credit for Participating Landlords.

Please monitor our website, <https://www.tax.virginia.gov/>, for the latest updates regarding whether the General Assembly extends the expiration date for any of the income tax provisions above.

Retail Sales and Use Tax

Tax Exemption for Prescription Medicine and Drugs Purchased by Veterinarians: Extension of the Sunset Date

House Bill 1698 (Chapter 188) and Senate Bill 1369 (Chapter 199) extend the sunset date for the exemption from the Retail Sales and Use Tax for veterinarians on their purchases of prescription medicines and drugs that are administered or dispensed to patients within a veterinarian client-patient relationship until July 1, 2028. The exemption was scheduled to expire on July 1, 2025.

Effective: July 1, 2025
Amended: § 58.1-609.10

Tax Exemption for Aircraft Components: Extension of the Sunset Date

House Bill 1729 (Chapter 137) and Senate Bill 942 (Chapter 152) extend the sunset date for the sales and use tax exemption for parts, engines, and supplies used for maintaining, repairing, or reconditioning aircraft or any aircraft's avionics system, engine, or component parts until July 1, 2030. The exemption for aircraft components was scheduled to expire July 1, 2025.

Effective: July 1, 2025
Amended: § 58.1-609.10

Media-Related Tax Exemptions: Extension of the Sunset Date

House Bill 2675 (Chapter 307) and Senate Bill 871 (Chapter 318) extend the sunset date for the exemption from the Retail Sales and Use Tax allowed for the purchase of printing materials by advertising businesses when the printed material is distributed outside the Commonwealth until July 1, 2028.

Under the current exemption, advertising businesses that purchase printing from Virginia printers are not deemed the users or consumers of printed materials distributed outside the Commonwealth if the purchases would have qualified for the exemptions of either:

- ▶ Publications and supplements issued at regular intervals more frequent than three months or
- ▶ Catalogs, letters, brochures, reports, and similar printed materials stored within the Commonwealth for twelve months or less and distributed outside the Commonwealth.

This exemption was scheduled to expire on July 1, 2025.

Effective: July 1, 2025
Amended: § 58.1-609.6

Retail Sales and Use Tax Exemption for Internet Service Providers: Refund Requirement

Item 3-5.04 of the 2025 Appropriation Act (House Bill 1600, Chapter 725) repeals the requirement that internet service providers pay sales tax and seek a refund from the Tax Commissioner. Accordingly, internet service providers may now use an exemption certificate to make purchases that are exempt from the Retail Sales and Use Tax.

Effective: May 2, 2025

Retail Sales and Use Tax Exemption for Certain Drilling Equipment: Extension of the Sunset Date

Item 3-5.23 of the 2025 Appropriation Act (House Bill 1600, Chapter 725) extends the sunset date for the Retail Sales and Use Tax exemption for certain drilling equipment from July 1, 2025 to July 1, 2026.

Effective: May 2, 2025
Superseded: § 58.1-609.3

Retail Sales and Use Tax Exemption for Bullion and Legal Tender Coins: Extension of the Sunset Date

Item 3-5.25 of the 2025 Appropriation Act (House Bill 1600, Chapter 725) extends the sunset date for the Retail Sales and Use Tax exemption for bullion and legal tender coins from July 1, 2025 to July 1, 2026.

Effective: May 2, 2025
Superseded: § 58.1-609.1

Tobacco Tax Legislation

Prohibition of Retail Tobacco and Hemp Products for People Younger than 21

House Bill 1946 (Chapter 595) and Senate Bill 1060 (Chapter 596) clarify that the Department shall not be required to conduct unannounced investigations of retail tobacco dealers to enforce tobacco minimum-age purchasing laws as would have been required by legislation enacted in 2024. The law change also authorizes the Department to impose a penalty of \$400, in addition to any other applicable taxes or fees, on any person who is required to obtain a license authorizing such person to engage in the business of selling, dealing, shipping or transporting liquid nicotine or nicotine vapor products to retailers in the Commonwealth and who has failed to obtain such license.

In addition, the law change requires the Department to convene a work group consisting of the Alcoholic Beverage Control Authority, the Office of the Attorney General, the Virginia State Police, and the Department of Behavioral Health and Development Services to develop an enforcement program related to the sale of retail tobacco products or hemp products intended for smoking to individuals younger than 21 years of age. The work group's findings and recommendations are to be reported to the Chairs of the House Committees on General Laws and Appropriations and the Senate Committees on Rehabilitation and Social Services and Finance and Appropriations no later than November 1, 2025.

Effective: July 1, 2025
Amended: § 58.1-1021.04:1
Superseded: § 59.1-293.12

Other State Tax Legislation

Surplus Lines Broker Taxes: Exemption Relating to Certain Commuter Rail Operators

House Bill 1682 (Chapter 124) and Senate Bill 1269 (Chapter 136) provide that any surplus lines broker or any person required to be licensed as one shall not be subject to the annual taxes, license taxes, or penalties under current law for any policy of insurance procured during the preceding calendar year on behalf of a commuter rail system jointly operated by the Northern Virginia Transportation Commission and the Potomac and Rappahannock Transportation District.

Effective: Calendar Year 2025 and after
Amended: § 38.2-4809

Aircraft Sales and Use Tax; Exemption for Certain Public Aircraft: Extension of Sunset Date

Senate Bill 741 (Chapter 348) extends the sunset date, from July 1, 2025 to July 1, 2030, for the amended definition of public aircraft that includes fighter or attack jets that are leased or owned by a private entity, provided that the aircraft operations are conducted exclusively for the purpose of military combat training in service to the federal government. The term “fighter or attack jets” is defined as jet-powered aircraft designed for military combat training or operational mission execution.

Effective: July 1, 2025

Local Tax Legislation

Real Property Tax

Nonjudicial Sale of Tax Delinquent Properties

House Bill 1792 (Chapter 376) increases the maximum value of improved and unimproved real property that may be subject to nonjudicial sale from \$10,000 to \$15,000, provided that taxes levied upon it are delinquent for at least three years. The law change also allows the treasurer or other duly authorized official responsible for collecting taxes to sell, at public auction, any parcel of real property that is assessed at more than \$30,000 but less than \$40,000, provided that the taxes are delinquent for at least three years and the property:

- ▶ Is not subject to a recorded mortgage or deed of trust lien,
- ▶ Is within an area designated by the local governing body as an urban redevelopment or revitalization zone, and
- ▶ Is unimproved and measures no more than 0.5 acre.

The law change also permits the nonjudicial sale of any real property valued at more than \$15,000 but less than \$30,000, if taxes are delinquent for at least three years and the property:

- ▶ Is unimproved and measures no more than one acre,
- ▶ Is unimproved and has been determined to be unsuitable for building,
- ▶ Has a structure on it that has been condemned by the local building official,
- ▶ Has been declared a nuisance by the locality,
- ▶ Contains a derelict building, or
- ▶ Has been declared to be blighted by the locality.

Effective: July 1, 2025
Amended: § 58.1-3975

Sale of Real Estate for Delinquent Taxes

House Bill 2362 (Chapter 267) eliminates the requirement that, before starting any judicial proceedings to collect delinquent taxes, the tax officer of the locality wherein the real property lies send a notice at least 30 days prior to the last known address of any trustee, mortgagee, or lien creditor involved. The Act clarifies that any party or entity with an interest in the subject real estate, including a lienor, a person with a claim of title, or the beneficiary and trustees under a deed of trust, shall be named as party defendants in a proceeding for the sale of the real estate.

In addition, the Act provides that the former owner and related parties of the real estate sold is entitled to any surplus proceeds from the sale after covering taxes, penalties, interest, attorney fees, costs, and liens, and the court shall refer the matter to a commissioner in chancery to determine the proper recipients of the surplus.

Effective: July 1, 2025

Amended: §§ 58.1-3965, 58.1-3967, 58.1-3968, 58.1-3970.1, 58.1-3973, and 58.1-3974

Tax Exemption for Surviving Spouses of Military Line of Duty Deaths

House Bill 1868 (Chapter 486) clarifies that the real property tax exemption on the principal place of residence for surviving spouses of soldiers who died in the line of duty, as determined by the U.S. Department of Defense, includes the death of any such member that was the result of suicide.

Effective: July 1, 2025

Amended: § 58.1-3219.9

Tax Exemption by Classification Expanded

House Bill 1896 (Chapter 86) clarifies that the property of an organization that is tax exempt by classification includes the property of a single member limited liability company whose sole member is such an organization.

Effective: July 1, 2025

Amended: § 58.1-3606

Tax Exemptions for Non-Profit Schools with Disabilities

House Bill 1970 (Chapter 645) and Senate Bill 1202 (Chapter 620) clarify the definitions of “educational purposes” and “institutions of learning” for purposes of the real property tax exemption for public libraries or institutions of learning not conducted for profit.

The Acts provide that “educational purposes” includes any special education and related services as those terms are defined in the Individuals with Disabilities Education Act (“IDEA”) and “institutions of learning” includes any institutions licensed by the Department of Education that provide services pursuant to the IDEA, or any school for students with disabilities in the Commonwealth that is licensed by the Board of Education.

Effective: April 2, 2025
Amended: § 58.1-3606.2

Tax Exemptions for the Elderly and Disabled

House Bill 2029 (Chapter 522) and Senate Bill 816 (Chapter 536) allow a locality to require that an individual either:

- ▶ Pay all delinquent taxes, penalties, or interest assessed by the locality for the property that were incurred prior to becoming eligible for an exemption or deferral for the elderly or disabled,
- ▶ Enter into an installment agreement with the locality for the payment of all such delinquent amounts in installments for a period not to exceed 72 months,
- ▶ Submit and obtain the treasurer's agreement to an offer in compromise, or
- ▶ A combination thereof.

Additionally, the Acts permit notice of the terms and conditions of the elderly or disabled exemption and deferral program be included in any notice of change in assessment and require the terms to be posted on the locality's website. Finally, the Acts allow localities to provide a prorated exemption or deferral for the portion of the taxable year during which the taxpayer would have qualified for such exemption or deferral but had not yet filed an application, which is limited to the taxable year in which the taxpayer qualified and not any prior year.

Effective: July 1, 2025
Amended: §§ 58.1-3212, 58.1-3213.1, and 58.1-3215

Tax Exemption for Churches or Other Buildings for Religious Worship

House Bill 2302 (Chapter 659) provides that, for tax years on and after January 1, 2023, the tax exemption by classification for property used for religious worship shall include property on which a church or other building for religious worship is being replaced or rebuilt, provided the property owner can demonstrate the intention to use such structure exclusively for religious worship or for the residence of the minister of any church or religious body. The property owner is also required to demonstrate that:

- ▶ The property was exempt prior to replacement of the structure,
- ▶ Construction will commence no later than five years after discontinuation of the former use of the property,
- ▶ The property will be used for no other purpose during the construction of such building,
- ▶ A reasonable timeline exists for completion of the structure and construction is proceeding at an appropriate pace; and
- ▶ After completion, the property will be exclusively occupied or used for religious worship or for the residence of the minister of any church or religious body.

Effective: July 1, 2025
Amended: § 58.1-3606

Assessments: Affordable Rental Housing

House Bill 2245 (Chapter 456) requires that, for assessments completed on or after January 1, 2026, affordable rental housing that is not assessed with the income approach must be reassessed using the income approach when such property generates income. The assessor must use the income approach based on the property's current use, contract rent, income restrictions, provisions of any arm's-length contract, and actual operating expense and capitalization rate data from comparable affordable housing. Additionally, this Act directs the Department of Taxation to develop, no later than September 1, 2025, and in consultation with stakeholders, a uniform income and expense reporting form to be provided by assessors and completed by the owners of affordable rental housing properties. These Acts also require that, no later than November 1, 2025, the Department of Taxation provide a letter to the Chairs of the Senate Committee on Finance and Appropriations and the House Committee on Finance with an update on the development of such form and implementation of training for assessing officials and contracted assessors on the assessment of affordable rental housing.

Effective: July 1, 2025
Amended: § 58.1-3295

Other Local Tax Legislation

Local Gas Road Improvement and Coalfield Economic Development Authority Taxes: Extension of the Sunset Date

House Bill 1579 (Chapter 116) extends the sunset date for the expiration of the local gas road improvement and Virginia Coalfield Economic Development Authority tax from January 1, 2026, to January 1, 2028.

Effective: July 1, 2025
Amended: § 58.1-3713

Transient Occupancy Tax: Administration of Revenues

House Bill 2383 (Chapter 458) and Senate Bill 1402 (Chapter 473) provide that an accommodations provider shall not be required to transmit a transient occupancy tax return to a locality if all retail sales of _____

accommodations owned by the provider are facilitated by an intermediary, which must be attested by the provider to the locality.

The Acts also provide that the accommodations provider must transmit returns for the retail sale of any accommodations not facilitated by an intermediary and that information provided by an intermediary to localities for transient occupancy tax purposes may not be divulged to any other department or official of the locality or any other political subdivision of the commonwealth, with the use of information being limited to levying and collecting taxes.

Effective: July 1, 2025

Amended: §§ 58.1-3, 58.1-3826, and 58.1-3827

Legislative Studies/Reports

Work Group on License Tax Deduction for Out-of-State Receipts

House Bill 1743 (Chapter 192) requires the Department to convene a work group to review the local license tax deduction in Virginia for receipts attributable to out-of-state business, including a review of current policy, any relevant constitutional or case law, the potential impact on local government revenue, potential administrative complexities or benefits for taxpayers and compliance, and impacts from other laws.

The work group must consist of local tax experts, including representatives of the Virginia Municipal League, the Virginia Association of Counties, the Commissioners of the Revenue Association of Virginia, the Virginia Society of Certified Public Accountants, the Council on State Taxation, and the Virginia Chamber of Commerce. The Act requires the Department submit a report of any findings and recommendations to the Joint Subcommittee on Tax Policy and the Chairs of the Senate Committee on Finance and Appropriations and the House Committees on Finance and Appropriations by October 1, 2025.

Effective: July 1, 2025

Market Based Sourcing Study

Item 257 (E) of the 2025 Appropriation Act (House Bill 1600, Chapter 725) requires the Department to establish a work group of stakeholders with the Secretary of Finance and the Chairs of the House Finance, House Appropriations, and Senate Finance and Appropriations Committees participating in selecting its members.

The work group will assess implementing market-based sourcing for sales in the corporate income apportionment formula, including:

- ▶ The administrative feasibility,
- ▶ The impact on major classifications of corporations operating in Virginia,
- ▶ The impact on corporate expansion within and into Virginia, and
- ▶ The projected impact on Virginia's tax revenue as a result of adopting market-based sourcing.

The Department is required to report the recommendations to the Joint Subcommittee on Tax Policy for evaluation of the fiscal implications and incorporate any feedback from the Joint Subcommittee prior to the submission of the final report. The Department is required to submit a report with recommendations to the Chairs of House Finance, House Appropriations, and Senate Finance and Appropriations Committees by November 15, 2025.

Effective: May 2, 2025

Net Operating Losses Study

Item 257 (F) of the 2025 Appropriation Act (House Bill 1600, Chapter 725) requires the Department to convene a work group composed of tax practitioners experienced in the preparation of corporate tax returns involving net operating losses, including members recommended by the Taxation Section of the Virginia Bar Association and the Virginia Society of Certified Public Accountants. The work group is required to study the treatment of net operating losses in Virginia compared to other states and make recommendations to simplify such treatment in Virginia. The work group shall complete its meetings by October 1, 2025. The Department is required to submit a report with recommendations to the Chairs of the House Finance, House Appropriations, and Senate Finance and Appropriations Committees by November 1, 2025.

Effective: May 2, 2025

Tobacco Tax Study

Item 3-5.16 of the 2025 Appropriation Act (House Bill 1600, Chapter 725) removes the requirement that the Joint Subcommittee to Evaluate Tax Preferences continue to study aspects regarding Virginia's taxation of certain tobacco products.

Effective: May 2, 2025

K-12 Sales Tax Transfer Work Group

Item 3-5.03 (B) of the 2025 Appropriation Act (House Bill 1600, Chapter 725) requires the Department to collaborate with the Department of Planning and Budget, the House Appropriations Committee, and the Senate Finance and Appropriations Committee to propose statutory amendments and budget language amendments for the 2026-2028 biennial budget as needed to allow the sales tax revenue collected pursuant to § 58.1-638 F to be deposited directly to the general fund for public education purposes in lieu of the current requirement that these funds be first deposited into the Public Education Standards of Quality/Local Real Estate Property Tax Relief Fund.

Effective: May 2, 2025

Longtime Owner Occupancy Work Group

Item 102 (X) of the 2025 Appropriation Act (House Bill 1600, Chapter 725) requires the Department to participate in a work group with the Department of Housing and Community Development, the Commission on Local Government, and national, state, and local tax and housing experts to assist with developing recommendations to keep long-term residents in their primary homes as real property tax liabilities increase. The work group is required to review and provide recommendations for eligibility criteria based on financial indicators, financing options including voluntary locality contributions or offsets, and assess feasibility, equity, and efficiency of administration and implementation at the local, regional, or state level. The work group is required to submit its findings to the Chairs of House General Laws and Senate General Laws and Technology by September 1, 2025.

Effective: May 2, 2025