

2026 Legislative Summary

Virginia Department of Taxation

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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 2026 Session of the General Assembly, including 2026 Special Session I which convened on April 23, 2026, and recessed on June 29, 2026.

Please note that this does not include any legislation enacted after June 29, 2026. 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 **2026 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

Rounding Procedures for Cash Transactions

House Bill 954 (Chapter 713) establishes standard procedures for rounding cash transactions in response to the cessation of penny production. For transactions ending in one, two, six, or seven cents, the amount may be rounded down to the nearest five-cent increment; transactions ending in three, four, eight, or nine cents may be rounded up. The rounding rules apply to sales of goods and services, other cash transactions, and cash wage payments to employees. All taxes, fees, and charges must be calculated based on the sales price *before* any cash transaction rounding occurs. The Act provides a safe harbor, stating that sellers shall not be in violation of any state or municipal requirements, laws, regulations, or standards for rounding in compliance with the Act. Localities may adopt temporary procedures that expire no later than July 1, 2027. The Act requires the Department to recommend a uniform procedure for all localities and report its findings and recommendations to the Chairs of the Senate Committee on Finance and Appropriations and the House Committee on Appropriations by November 1, 2026.

Effective: July 1, 2026
Added: §§ 6.2-200.1 and 6.2-200.2

Project Lighthouse Fund

Item 260 (E) of the 2026 Amendments to the 2025 Appropriation Act (House Bill 29, Chapter 7) and Item 263 (D) of the 2026 Appropriation Act (House Bill 30, Special Session I, Chapter 1) establish the Project Lighthouse Fund as a special nonreverting fund in the state treasury to hold unspent balances from the Department's existing appropriation for the Integrated Revenue Management System (“IRMS”) replacement project. Moneys in the Fund must be used solely for IRMS replacement costs. Existing reporting requirements for the IRMS replacement project are continued under these Items.

Effective: February 20, 2026

Tax Data Sharing for Health Enrollment

House Bill 1529 (Chapter 478) consolidates the statutory framework for voluntary health insurance enrollment by streamlining tax return checkoff mechanisms. Under current law, the Department routes voluntarily provided

taxpayer information—including name, social security number, and adjusted gross income—directly to three different agencies to identify and enroll individuals in Virginia Marketplace plans or Virginia Medicaid:

- ▶ The Virginia Health Benefit Exchange (“VHBE”),
- ▶ The Department of Medical Assistance Services (“DMAS”), or
- ▶ The Department of Social Services (“DSS”).

Under the Act, the Department will share such information only with one agency, VHBE. As needed, VHBE will be allowed to share such information with relevant state agencies (i.e., the Department of Medical Assistance Services and the Department of Social Services), pursuant to written agreements, to support enrollment and application processes.

Effective: Taxable years beginning on and after January 1, 2026
Amended: §§ 2.2-3803, 58.1-3, and 58.1-341.1

State Innocent Spouse Relief

House Bill 716 (Chapter 210) authorizes the Department to grant Innocent Spouse Relief to a spouse who meets the qualifications under federal tax law, regardless of whether a claim for federal relief was made. Under current law, spouses who file a joint return are each legally responsible for the full tax bill, meaning the Department can collect the entire debt from either person regardless of who earned the income or made the error. Innocent spouse relief under this Act provides an exception that relieves a requesting spouse of responsibility for an understatement of tax—including interest and penalties—when that understatement is attributable to the other spouse's erroneous items, provided the requesting spouse did not know or have reason to know of the error and it would be inequitable to hold them liable.

Effective: July 1, 2026
Added: § 58.1-1836

Wage Garnishment for State Tax Debt

House Bill 488 (Chapter 396) limits the amount that may be garnished for state tax debts by subjecting them to the same garnishment cap that applies to general judgment creditors. Accordingly, state tax garnishments are subject to the lesser of:

- ▶ 25 percent of an individual’s disposable weekly earnings, or
- ▶ The amount by which those earnings exceed 40 times the federal or Virginia minimum wage.

Under current law, there is no limitation on the amount of wages that can be garnished for state tax debts. However, the Department voluntarily began administratively implementing the 25 percent wage garnishment limitation in June of 2025. As a result, only the 40-times-minimum-wage earnings floor is new under the Act.

The Act also requires the Department to recognize the Currently Not Collectible (“CNC”) status granted by the Internal Revenue Service and offer a comparable Virginia CNC status for individual income taxpayers. The Department has already been extending comparable relief administratively. The Act requires the Department to publish guidelines for applying for such status and make information on applying for such Virginia status publicly available.

Effective: July 1, 2027

Amended: §§ 2.2-804, 8.01-512.3, 8.01-515, 34-3, 34-29, and 58.1-105

Income Tax Legislation

Virginia Replaces Rolling Conformity to the Internal Revenue Code with a Fixed Date of December 31, 2025

The thirteenth enactment clause of the 2026 Amendments to the 2025 Appropriation Act (House Bill 29, Chapter 7) replaces rolling conformity with a fixed conformity date of December 31, 2025, while retaining automatic conformity for federal extenders of current or prior Virginia-conforming provisions. As a result, Virginia generally conforms to the provisions of 2025 H.R. 1, the federal Budget Reconciliation Act (P.L. 119-21), that affect the computation of federal adjusted gross income or federal itemized deductions for individuals, and federal taxable income for corporations. Virginia's existing exceptions to IRC conformity remain unchanged. See [Tax Bulletin 26-1](#).

Business Taxpayers

Virginia will deconform from the following provisions of 2025 H.R. 1:

- ▶ Immediate expensing of qualified production property (IRC §168(n));
- ▶ Immediate expensing of domestic research and experimental (“R&E”) expenditures, including retroactive and catchup provisions (IRC §174A); and
- ▶ Increases to the expensing limits for certain depreciable business assets (IRC §179).

The federal Budget Reconciliation Act also modifies the federal limitation on the deduction of business interest expenses under IRC §163(j), which affects the amount of business interest disallowed as a deduction on the federal return. Virginia conforms to this federal change. However, for Taxable Years 2025 and thereafter, the Virginia subtraction for disallowed business interest is reduced from 50 percent to 20 percent of the amount of business interest disallowed on the federal return.

Individual Taxpayers

Virginia does not conform to the federal Budget Reconciliation Act’s replacement of the Pease limitation and continues to apply the Pease limitation on itemized deductions.

Effective: February 20, 2026
Amended: §§ 58.1-301, 58.1-322.03, and 58.1-402

Standard Deduction Extended and Increased

The third enactment clause of the 2026 Appropriation Act (House Bill 30, Special Session I, Chapter 1) increases the standard deduction from \$8,750 to \$9,200 for single filers and from \$17,500 to \$18,400 for married filers filing jointly, effective for taxable years beginning on and after January 1, 2027, but before January 1, 2028. It further increases the standard deduction to \$9,300 for single filers and to \$18,600 for married filers filing jointly, effective for taxable years beginning on and after January 1, 2028, but before January 1, 2030. The increased standard deduction amounts are scheduled to sunset after Taxable Year 2029 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, 2027, but before January 1, 2030
Amended: § 58.1-322.03

Credit for Low-income Taxpayers Extended

The third enactment clause of the 2026 Appropriation Act (House Bill 30, Special Session I, Chapter 1) extends Virginia's refundable earned income tax credit ("EITC"), equal to 20 percent of the federal EITC, through Taxable Year 2029. Under prior law, Virginia's refundable EITC was scheduled to expire after Taxable Year 2026. Virginia's refundable EITC is now scheduled to expire for taxable years beginning on and after January 1, 2030.

Effective: Taxable years beginning on and after January 1, 2025, but before January 1, 2030
Amended: § 58.1-339.8

Individual Income Tax Virginia Free File Program

House Bill 1180 (Chapter 31) and Senate Bill 591 (Chapter 32) codify the requirement that the Department develop and offer a modern electronic tax return filing program directly to Virginia individual taxpayers free of charge. The program must be available to Virginia individual taxpayers for taxable years beginning on and after January 1, 2028. The Tax Commissioner is required to develop eligibility criteria for the program. The Acts also repeal Chapter 535 of the Acts of Assembly of 2010, which effectively prohibited the Department from offering an electronic free filing system for Virginia state income tax filers.

Effective: July 1, 2026
Amended: § 58.1-202.3

Reinstatement of the Eligible Educator Expenses Deduction

The thirteenth enactment clause of the 2026 Amendments to the 2025 Appropriation Act (House Bill 29, Chapter 7) and the third enactment clause of the 2026 Appropriation Act (House Bill 30, Special Session I, Chapter 1) reinstates the eligible educator expenses deduction for Taxable Year 2026 and subsequent years. The eligible educator expense deduction allows qualified taxpayers to deduct up to \$500 in eligible educator expenses. The deduction was originally available for Taxable Years 2022 through 2024 but expired for Taxable Year 2025.

Effective: February 20, 2026
Amended: § 58.1-322.03

Permanent Extension of the Pass-Through Entity Tax (“PTET”) Election and Tax Credits

The thirteenth enactment clause of the 2026 Amendments to the 2025 Appropriation Act (House Bill 29, Chapter 7) permanently extends the election for pass-through entities (“PTEs”) to pay tax at the entity level, and the associated PTET credits. Under prior law, the election for PTEs and associated credits (except for the out-of-state credit) would have expired on January 1, 2027, and the out-of-state credit for the PTET would have expired on January 1, 2026.

Effective: February 20, 2026
Amended: §§ 58.1-332 and 58.1-390.3

Voluntary Contributions: The Wildlife Corridor Grant Fund

House Bill 597 (Chapter 636) creates a fund known as the Wildlife Corridor Grant Fund (“the Fund”) and adds the Fund to the list of organizations and funds on the individual income tax return that may receive both tax refund contributions and contributions in the amount of payments made in excess of the taxpayer’s tax refund or tax liability.

This Act requires that the money contributed to the Fund be used to provide grants for projects that conserve or enhance wildlife corridors and associated wildlife crossing infrastructure projects.

Effective: July 1, 2026
Amended: § 58.1-344.3
Added: § 29.1-580

Motion Picture Production Tax Credit

House Bill 400 (Chapter 795) and Senate Bill 612 (Chapter 827) extend the sunset date for the Motion Picture Production Tax Credit from January 1, 2027, to January 1, 2031.

Effective: July 1, 2026
Amended: § 58.1-439.12:03

Neighborhood Assistance Act Tax Credit Extension

Item 3-5.16 of the 2026 Appropriation Act (House Bill 30, Special Session I, Chapter 1) extends the Neighborhood Assistance Act Tax Credit's existing \$20 million cap through Fiscal Years 2027 and 2028.

As in the prior biennium, the cap is allocated as \$12.0 million for education proposals for approval by the Superintendent of Public Instruction and \$8.0 million for all other proposals for approval by the Commissioner of the State Department of Social Services. The existing credit allocation and credit eligibility framework also continues unchanged as under current law.

Effective: July 1, 2026
Superseded: §§ 58.1-439.18 through 58.1-439.24

Retail Sales and Use Tax Legislation

Authority to Impose Additional Local Sales and Use Tax Expanded to All Localities

The second enactment clause of the 2026 Appropriation Act (House Bill 30, Special Session I, Chapter 1) expands which localities may impose an additional one percent retail sales and use tax, provided the tax is approved in a referendum.

Under prior law, only the Counties of Charlotte, Gloucester, Halifax, Henry, Mecklenburg, Northampton, Patrick, and Pittsylvania and the City of Danville are authorized to impose, by ordinance, an additional local sales and use

tax for school construction at a rate of up to one percent as determined by its local governing body. This tax is in addition to the one percent general local sales and use tax, and the additional tax must first be approved by voters at a referendum. The revenue generated from this tax must be used solely for capital projects for the construction or renovation of schools serving the locality, including bond and loan financing costs. The tax is administered by the Tax Commissioner in the same manner as the state sales tax, but it cannot be levied on food purchased for human consumption or essential personal hygiene products. Additionally, no dealer discount is allowed on this local tax.

The Act allows all counties and cities in Virginia to impose an additional one percent retail sales and use tax under the same revenue-use restriction and referendum requirement described above. However, counties and cities in Planning District 8 may use the revenue for such tax not only for school construction and renovation but also for public transportation purposes serving the locality. Planning District 8 is composed of the Counties of Arlington, Fairfax, Loudoun, and Prince William and the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park. The Act further specifies that if such a locality fails to comply with its Washington Metropolitan Area Transit Authority (“WMATA”) funding obligations, its authority to levy the additional sales and use tax will expire.

Effective: July 1, 2026
Amended: §§ 58.1-602, 58.1-605, 58.1-605.1, and 58.1-606.1

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

Item 3-5.22 of the 2026 Appropriation Act (House Bill 30, Special Session I, Chapter 1) extends the sunset date for the Retail Sales and Use Tax exemption for bullion and legal tender coins from July 1, 2026, to July 1, 2028.

Effective: July 1, 2026
Superseded: § 58.1-609.1

Retail Sales and Use Exemption for Natural Gas and Oil Drilling and Extraction Equipment: Extension of the Sunset Date

Item 3-5.20 of the 2026 Appropriation Act (House Bill 30, Special Session I, Chapter 1) extends the sunset date for the Retail Sales and Use Tax exemption for certain drilling equipment from July 1, 2026, to July 1, 2028.

Effective: July 1, 2026
Superseded: § 58.1-609.3

Other State Tax Legislation

Data Center Electricity Consumption Tax

Item 3-5.24 of the 2026 Appropriation Act (House Bill 30, Special Session I, Chapter 1) imposes upon every data center operator an electricity consumption tax at the rate of \$0.011/kWh of all electricity consumed at each data center per month, effective on and after July 1, 2026, but before July 1, 2028. This tax applies in addition to all other taxes and fees of every kind now imposed by law. Utilities, electric cooperatives, and competitive service providers must list the tax as a separate line item on the data center operator's billing invoice.

The State Corporation Commission (“Commission”) is responsible for collecting the data center electricity consumption tax. The first collection will be made in September 2026, covering taxes owed for the period July 1 – September 1, 2026. Thereafter, the tax will be collected on a monthly basis. Data center operators using self-supplied electricity must report usage quarterly to the Department of Environmental Quality and remit the tax directly to the Commission on a monthly basis.

No more than \$600 million of revenues from the data center electricity consumption tax shall be deposited into the general fund during any fiscal year. Any revenues exceeding \$600 million, less costs incurred by the Commission to collect the tax, must be deposited into a special, nonreverting fund. Beginning with Fiscal Year 2027, the Commission is required to issue refunds to data center operators from the prior fiscal year excess collections, based on each data center operator’s pro rata share of tax collections for such prior fiscal year.

Effective: July 1, 2026

Retail Market for Cannabis Control

Enactment 5 of the 2026 Appropriation Act (House Bill 30, Special Session I, Chapter 1) establishes the tax and regulatory framework for a Virginia retail cannabis market, which is to be administered by the Virginia Cannabis Control Authority (“the Authority”). The provisions of the bill authorizing a recreational marijuana market would generally become effective July 1, 2027.

The Act imposes a state excise tax on retail sales of marijuana or marijuana products of 6 percent before July 1, 2029, increasing to 8 percent on and after July 1, 2029, in addition to the existing Retail Sales and Use Tax, and directs localities to levy an additional 1 percent to 3.5 percent local excise tax by ordinance. The ordinance takes effect on the first day of the second month following its enactment and the rate specified by the ordinance is required to be effective for at least three years. The Act specifies that towns are not subject to the local excise tax imposed by the surrounding county.

The state and local excise taxes do not apply to sales from one marijuana establishment to another, to sales of cannabis products for medical treatment, to sales of industrial hemp by a licensed grower, processor, or handler, or to sales of hemp products generally.

The tax provisions are operative July 1, 2026, but will apply beginning when retail sales are authorized on July 1, 2027. Retailers must collect and remit both the state and local cannabis excise taxes to the Authority, which will distribute local revenues back to the locality where the sale occurred.

Under current law, there are fixed statutory percentages for net profits from cannabis tax revenues: 40 percent for pre-kindergarten programs for at-risk three-year-olds and four-year-olds, 30 percent for the Cannabis Equity Reinvestment Fund, 25 percent for the Department of Behavioral Health and Developmental Services for substance use disorder prevention and treatment programs, and 5 percent for public health programs. While the Act generally retains these four purposes, it eliminates the fixed percentage allocations and broadens the first purpose from pre-kindergarten programs for certain at-risk children to early childhood care, early childhood education, and elementary and secondary education in the Commonwealth.

The Act also provides that licensed cannabis businesses may claim Virginia income tax deductions for ordinary and necessary business expenses incurred in operations authorized under the Cannabis Control Act. Accordingly, a deduction for such expenses will be allowed on a Virginia income tax return, even if such expenses are disallowed under federal tax law, effective for taxable years beginning on or after January 1, 2026.

Effective: July 1, 2026, except as otherwise noted
Amended: §§ 4.1-614 and 58.1-301
Added: §§ 4.1-1000 through 4.1-1010

Retail Tobacco Products Licensing and Permitting

House Bill 308 (Chapter 1044) and Senate Bill 620 (Chapter 1021) establish a comprehensive retail tobacco permit program administered and enforced by the Virginia Alcoholic Beverage Control Authority (“Virginia ABC”), replacing the narrower liquid nicotine retail license previously administered by the Department. The Department retains nonretail licensing and excise tax administration. Any person intending to sell retail tobacco products must obtain a permit for each place of business prior to making any sale. The \$400 fee previously paid to the Department of Taxation for a liquid nicotine and nicotine vapor products license is replaced by a \$400 retail tobacco permit fee paid to Virginia ABC, which covers all retail tobacco products. The retail tobacco permit fee is \$300 for applicants already holding a Virginia ABC license to sell alcoholic beverages. Virginia ABC may refuse, suspend, or revoke a permit on specified grounds, including criminal history, tax delinquency, and prior underage sales violations.

The Acts impose escalating civil penalties for sales to persons under 21 years of age and provide for unannounced underage buyer operations at least once every 24 months per permittee. The Acts also establish the Retail Tobacco Enforcement Fund to support administration, compliance checks, and enforcement related to tobacco retailers. Virginia ABC and the Office of the Attorney General are required to execute a memorandum of understanding by July 1, 2026, to coordinate implementation and jointly fund regulation from permit and penalty revenues.

Effective: October 1, 2026, except as otherwise noted
Amended: §§ 58.1-1021.04:1 and 59.1-293.10
Repealed: §§ 58.1-1021.06 through 58.1-1021.09, 59.1-293.11, 59.1-293.12 and 59.1-293.14

Recordation Taxes and Fees

Senate Bill 725 (Chapter 966) provides that no recordation tax shall be required of a quitclaim deed or deed to correct a fraudulently recorded deed, including a deed of trust, between a grantor and grantee when no consideration has passed between the parties.

Effective: July 1, 2026
Amended: §§ 17.2-279 and 58.1-811

Excise Tax on Peanuts; Sunset Extension

Senate Bill 302 (Chapter 493) extends the sunset date for the excise tax on peanuts grown in and sold in the Commonwealth for processing. The tax, currently set at a rate of \$0.25 per 100 pounds, was scheduled to end on July 1, 2026, but is now extended to July 1, 2027.

Effective: July 1, 2026
Amended: § 3.2-1905

Apple Board

House Bill 65 (Chapter 23) and Senate Bill 390 (Chapter 24) repeal the Commonwealth's apple excise tax by discontinuing its collection after July 1, 2026. The Acts also repeal the Apple Board and the Apple Fund. Any remaining balance in the Apple Fund as of July 1, 2028, must be transferred to the Governor's Agriculture and Forestry Industries Development Fund.

Effective: July 1, 2028, except that collection of the apple excise tax ceases July 1, 2026
Repealed: §§ 3.2-1200 through 3.2-1217

Land Records Remote Access Fee Exemption

Item 261 (DD) of the 2026 Appropriation Act (House Bill 30, Special Session I, Chapter 1) exempts the Department from any fee for remote access to land records, including access or subscription fees charged through third-party vendors.

Under current law, clerks of court may charge a fee for remote access to land records and designate a list of state agencies exempt from such fees. The Department was not previously included on that list and was required to either pay remote access fees or manually retrieve hard copies of land records from court jurisdictions that charged for remote access. The Department is now exempt from these fees.

Effective: July 1, 2026

Superseded: § 17.1-276

Local Tax Legislation

General Provisions

Wage Garnishments for Treasurers' Liens for Unpaid Taxes and Charges

House Bill 1100 (Chapter 1090) and Senate Bill 597 (Chapter 1019) limit a treasurer's wage or salary lien to 25 percent of a taxpayer's disposable earnings for a single pay period. This limit does not apply if (i) the taxpayer's adjusted gross income exceeds 250 percent of the federal poverty guideline for a household of the same size, based upon tax return information maintained by the Tax Commissioner and accessed in accordance with the requirements of § 58.1-3, (ii) a court of appropriate jurisdiction determines, by clear and convincing evidence, that the taxpayer has left or may flee the jurisdiction or is improperly disposing of assets to hinder collection, or (iii) the lien concerns amounts the taxpayer collected and holds in trust for the locality.

A taxpayer may present current income or household information to the treasurer to demonstrate that current-year adjusted gross income is likely at or below 250 percent of the applicable poverty guideline; upon verification, the treasurer must limit the lien to 25 percent of disposable earnings per pay period.

The Acts also provide that the maximum amount of disposable earnings subject to a lien in any workweek may not exceed the amount by which the individual's disposable earnings exceed 40 times the Virginia minimum hourly wage.

Effective: July 1, 2026

Amended: §§ 2.2-804, 8.01-512.3, 8.01-515, 34-29, and 58.1-3952

Local Classification or Designation for Property Tax Exemption

House Bill 854 (Chapter 683) creates a property tax exemption for real or personal property used for charitable or benevolent purposes to provide affordable housing, even when the ownership entity includes for-profit investors, as long as a nonprofit organization holds the controlling interest, and clarifies that rental income or other revenue generated from the affordable housing portion of the property does not count as "profit" when determining eligibility for the exemption. This Act also provides that localities already have authority to exempt such nonprofit controlled properties.

The Act provides that its purpose is to support public purpose projects, including affordable housing developments financed through tools like the federal Low-Income Housing Tax Credit, by confirming that for-profit participation does not disqualify a property from exemption so long as such ownership is integral to the purpose of facilitating such charitable or benevolent purposes.

Effective: July 1, 2026
Amended: §§ 58.1-3603 and 58.1-3651

Tax Exemption for Confederacy Organizations

House Bill 167 (Chapter 788) eliminates the recordation tax exemption for the Virginia Division of the United Daughters of the Confederacy. The Act also eliminates the tax-exempt designation for real and personal property owned by:

- ▶ The Confederate Memorial Literary Society
- ▶ The Stonewall Jackson Memorial, Incorporated
- ▶ The Virginia Division of the United Daughters of the Confederacy
- ▶ The General Organization of the United Daughters of the Confederacy
- ▶ The Virginia Division, Sons of Confederate Veterans
- ▶ The J.E.B. Stuart Birthplace Preservation Trust, Inc.

Under prior law, the state recordation tax did not apply to any deed conveying real estate or the lease of real estate to the Virginia Division of the United Daughters of the Confederacy. Real and personal property owned by the above organizations were also previously exempt from taxation.

Effective: July 1, 2026
Amended: §§ 58.1-811 and 58.1-3607
Repealed: §§ 58.1-3650.31 and 58.1-3650.716

Real Property Tax

Real Property Tax; Special Assessment for Land Use; Notice Requirements

House Bill 1358 (Chapter 308) and Senate Bill 649 (Chapter 309) enhance disclosure requirements regarding real estate subject to special land-use assessments. The Acts require residential property disclosure statements to include a notice that, if a property is taxed under a special land-use assessment and its use or zoning changes to a nonqualifying use, it may be subject to roll-back taxes and interest. Additionally, the Acts require settlement agents to provide written notice of these potential tax liabilities to the purchaser before settlement and obtain written acknowledgement of receipt. The notice and acknowledgment requirements apply to any settlement agent who:

- ▶ Provides escrow, closing, or settlement services, and
- ▶ Knows the property is in a land-use program.

Settlement agents must retain this acknowledgement for five years, and willful failure to comply with the requirements may result in a civil penalty of up to \$250.

Effective: January 1, 2027
Amended: § 55.1-703
Added: §§ 55.1-1008.1 and 58.1-3234.1

Separate Classification of Land and Improvements

House Bill 282 (Chapter 100) adds the Cities of Charlottesville, Falls Church, Fredericksburg, and Newport News to the list of localities authorized to declare improvements to real property as a separate class of property for local taxation purposes. This authorization allows the governing bodies of these cities to levy a tax on improvements at a different rate than the tax imposed on the land itself, provided the rate on improvements is not zero and does not exceed the rate applied to the land.

Effective: July 1, 2026
Amended: § 58.1-3221.1

Partial Property Tax Exemption; Qualifying Residential Conversions

Senate Bill 181 (Chapter 994) authorizes localities to provide a partial real property tax exemption for buildings undergoing "qualifying residential conversion" from retail, commercial, or religious use to residential use. To qualify, the building must be at least 15 years old and meet one of the following affordable housing requirements:

- ▶ Reserving at least 30 percent of units for households at or below 80 percent of the median per capita income, or
- ▶ Being subject to a binding, written affordable housing agreement with the Commonwealth or locality.

The partial exemption, which can last up to 15 years, may be based on either the increase in assessed value or a percentage of such increase resulting from a qualifying conversion, but cannot exceed the conversion expenses, excluding acquisition costs and expenses attributable to enlargement of the building. The partial exemption is subject to recapture if affordability requirements are not maintained, as well as a potential five-year lookback tax and interest penalty upon certain noncompliant property transfers. Localities may also provide additional incentives such as reduced permit fees or regulatory flexibility.

Effective: July 1, 2026
Amended: § 58.1-3220
Added: §§ 58.1-3221.7 and 58.1-3855

Sale of Real Estate for Delinquent Taxes Increase in Required Value

House Bill 474 (Chapter 151) increases the maximum assessed value of a parcel of land that may be subject to appointment of a special commissioner to convey the real estate to a locality as a result of unpaid real property taxes or liens from \$75,000 to \$125,000.

Effective: July 1, 2026
Amended: § 58.1-3970.1

Personal Property Tax

Extension for Federal Government Shutdown

House Bill 915 (Chapter 239) provides that local governing bodies may, by ordinance, allow an extension on personal property taxes for federal employees affected by a government shutdown. This applies to employees who are furloughed and essential employees who work without immediate pay during the shutdown. The extension is granted upon application and must end no later than 90 days after the federal government reopens.

Effective: July 1, 2026
Amended: § 58.1-3916

Electric Landscaping Equipment

House Bill 557 (Chapter 403) establishes electric-powered landscaping equipment used in a trade or business and used to maintain commercial, public, or private gardens, lawns, trees, shrubs, or other plants as a separate class of property for local taxation. This classification includes battery-powered or corded equipment such as lawn mowers, edgers, trimmers, leaf blowers, and chainsaws. Localities may levy a tax on this equipment at a rate different from other tangible personal property, provided it does not exceed the rate applicable to the general class of tangible personal property.

Effective: July 1, 2026
Amended: § 58.1-3506

Other Local Tax Legislation

Admissions Tax in Counties; Tourism-Related Restrictions

House Bill 550 (Chapter 167) and Senate Bill 400 (Chapter 168) repeal the prohibition on imposing an admission tax in counties where a state sales and use tax of at least 1 percent, dedicated to tourism promotion, is imposed. Under prior law, a state sales and use tax of at least 1 percent, dedicated to tourism promotion, was imposed in the Counties of James City and York. As a result, such counties could not previously impose admissions taxes.

Effective: July 1, 2026
Amended: § 58.1-3818

Transient Occupancy Tax in Counties Operating Under a County Manager Plan (Arlington County)

House Bill 524 (Chapter 162) and Senate Bill 314 (Chapter 163) authorize counties with a county manager plan to impose, in addition to the transient occupancy tax authorized under current law, an additional transient occupancy tax at a rate not to exceed 1 percent of the total price paid for the occupancy of a room or space in a retail sale. Revenues from such additional tax are required to be designated and spent for the purpose of promoting tourism and business travel in the county.

Under current law, Arlington County is the only county operating under a county manager plan. Arlington County is currently authorized to impose an additional transient occupancy tax at a maximum rate of 0.25 percent of the amount of the charge for accommodations. The revenue from this additional tax must be used for promoting tourism and business travel within the county.

Effective: July 1, 2026
Added: § 15.2-740.1
Amended: §§ 15.2-2413.1, 15.2-2413.10, and 58.1-3825.4
Repealed: § 58.1-3825.3

Disposable Plastic Bag Tax; Distribution to Towns

House Bill 341 (Chapter 112) mandates that any county imposing a disposable plastic bag tax must distribute a portion of the collected revenue to any town located within that county. The distribution amount is based on the local sales tax distribution formula and must occur with the same frequency as sales tax distributions. Towns receiving these funds must appropriate them for environmental cleanup, providing education programs designed to reduce environmental waste, litter or pollution mitigation, or providing reusable bags to recipients of Supplemental Nutrition Assistance Program (“SNAP”) or Women, Infants, and Children Program (“WIC”) benefits.

Effective: July 1, 2026

Amended: § 58.1-1745

Legislative Studies/Reports

Disabled Veteran Real Property Tax Exemption Cost Study

Item 260 (D) of the 2026 Appropriation Act (House Bill 30, Special Session I, Chapter 1) directs the Department to convene a work group to review the cost and fiscal impact of mandatory property tax exemptions for disabled veterans and their surviving spouses.

The work group will include local government representatives and any additional stakeholders deemed necessary by the Secretary of Finance and the Secretary of Veterans and Defense Affairs.

The work group is required to:

- ▶ Review and collect data on the cost of the exemption and its fiscal implications for Virginia localities.
- ▶ Detail changes to the exemption and analyze the impact of those changes on local governments.
- ▶ Evaluate previously introduced legislation related to these exemptions.
- ▶ Provide recommendations to the General Assembly regarding the mandatory tax exemptions for disabled veterans and their spouses.

The Department is required to submit a report with findings and recommendations to the Chairs of House Finance, House Appropriations, and Senate Finance and Appropriations Committees by November 15, 2026.

Effective: July 1, 2026

Northern Virginia Transportation Commission (NVTC) Parking Tax Feasibility Study

Item 420 (D)(5) of the 2026 Appropriation Act (House Bill 30, Special Session I, Chapter 1) directs the Office of Intermodal Planning and Investment to study the feasibility of imposing a tax on paid parking in private or commercial parking lots and garages, excluding residential parking, within any county or city that is a member of the Northern Virginia Transportation Commission. In conducting the study, the Office of Intermodal Planning and Investment is required to consult with the Department to identify the number of applicable parking spaces and estimate potential revenue, calculated either as a percentage of applicable parking charges or on a per-space basis. Such office is required to submit its findings to the General Assembly by November 15, 2026.

Effective: July 1, 2026

Data Center Tax Policy Study

Item 1 (N)(5) of the 2026 Appropriation Act (House Bill 30, Special Session I, Chapter 1) directs the Joint Subcommittee on Tax Policy to study the data center sales and use tax exemption and other data center impacts. The study will examine Virginia's existing exemption, approaches taken in other states, the economic and environmental impacts of data center investment, the findings of the 2024 Joint Legislative Audit and Review Commission ("JLARC") data center study, and mechanisms to provide direct revenue to the state from the data center industry, among other topics. The Subcommittee is required to meet at least twice. All agencies of the Commonwealth, applicable utilities, and the Weldon Cooper Center for Public Service must provide technical assistance to the Subcommittee during its conduct of the study. The Subcommittee must report its recommendations to the General Assembly by December 15, 2026.

Effective: July 1, 2026

Cessation of Penny Study

House Bill 954 (Chapter 713) directs the Department to study and recommend a uniform cash-rounding procedure for Virginia localities in anticipation of the U.S. Mint ending penny production. The Department must convene a stakeholder work group, including representatives from local governments and other relevant parties.

The work group is required to:

- ▶ Assess administrative feasibility of implementing cash-rounding across localities.
- ▶ Evaluate impacts on local billing and collection processes for taxes and fees paid in cash.
- ▶ Analyze operational and fiscal implications for local governments.
- ▶ Identify options for a uniform statewide rounding method.

The Department is required to submit a report with findings and recommendations to the Chairs of House Appropriations and Senate Finance and Appropriations Committees by November 1, 2026.

Effective: July 1, 2026