

2024 Legislative Summary

Virginia Department of Taxation

July 1, 2024

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



[This page intentionally left blank]

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 2024 Session of the General Assembly, including the reconvened session on April 17, 2024 and Special Session I convened on May 13, 2024. Please note that any legislation enacted after May 13, 2024 is not included. 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 **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.

Table of Contents

Introduction	3
Table of Contents.....	4
State Tax Legislation	6
General Provisions	6
Electronic Filing of Form R-1	6
Income Validation for Toll Relief Program.....	6
Clarification of Meaning of a Collection Effort.....	6
Sunset Dates for Income Tax Credits and Sales and Use Tax Exemptions.....	7
Income Tax Legislation	7
Research and Development Tax Credit Changes	7
Communities of Opportunity Tax Credit Changes	8
Firearm Safety Device Tax Credit Expansion.....	8
Historic Preservation Tax Credit Changes	9
Land Preservation Tax Credit Changes: Tax Credit Cap.....	9
Education Improvement Scholarships Tax Credits	10
Agricultural Best Management Practices Tax Credit: Extension of the Sunset Date.....	10
Tax Credit for Purchase of Conservation Tillage and Precision Agriculture Equipment: Extension of the Sunset Date.....	10
Retail Sales and Use Tax	11
Annual Retail Sales and Use Tax Holiday.....	11
Erroneous Retail Sales and Use Tax Payments.....	11
Retail Sales and Use Tax Exemptions for Non-profit Entities.....	12
Exemption for Certain Drilling Equipment: Extension of Sunset Date	12
Entitlement to Certain Sales Tax Revenues	12
Tobacco Tax Legislation.....	13
Registration of Tobacco Products Retailers	13
Taxation of Liquid Nicotine.....	14
Liquid Nicotine and Nicotine Vapor Products: Penalties	14
Taxation of Heated Tobacco Products.....	15
Other State Tax Legislation.....	15
Assessment from the Sale of Soybeans	15
Recordation and Grantor Taxes: Value of Interest Conveyed or Value of Interest.....	16
Local Tax Legislation	17

Real Property Tax.....	17
Referendum to Expand Property Tax Exemption for Surviving Spouses of Soldiers Killed in Action.....	17
Exemption for Surviving Spouses of a Member of the Armed Forces Who Died in the Line of Duty	17
Notice of Assessment Changes for Real Property Tax	17
Nonjudicial Sale of Tax Delinquent Real Property Within Urban Redevelopment or Revitalization Zones	18
Department of Real Estate Assessment in Orange County	18
Personal Property Tax	19
Tangible Personal Property Tax: Indoor Agriculture Equipment and Machinery	19
Other Local Tax Legislation.....	20
Installment Agreements for Omitted Local Taxes	20
Military Centered Community Zones; Local Designation.....	20
Local Incentives for Motor Sports Facilities	20
Tax Assessment Districts: Petition by Parcel Owners	21
Legislative Studies/Reports	22
Joint Subcommittee on Tax Policy	22
Study on Tax Relief in Qualified Virginia Localities	22
Assessment of the Department’s Operating System.....	22
Surplus Lines Insurance	23

State Tax Legislation

General Provisions

Electronic Filing of Form R-1

Item 258 (U)(3) of the 2024 Appropriation Act (House Bill 6001, Special Session I, Chapter 2) requires that businesses registering with the Department on or after July 1, 2024 file Virginia Form R-1 electronically.

Effective: July 1, 2024

Income Validation for Toll Relief Program

Item 441 (C)(5) of the 2024 Appropriation Act (House Bill 6001, Special Session I, Chapter 2) authorizes the Department to provide to the Department of Transportation the adjusted gross income and any additional information supporting validation of the income of drivers eligible to participate in a toll relief program. Before any tax information is provided, the parties must enter into a written agreement consistent with the provisions of subdivision C of *Va. Code* § 58.1-3.

Effective: July 1, 2024

Clarification of Meaning of a Collection Effort

The third enactment clause of the 2024 Appropriation Act (House Bill 6001, Special Session I, Chapter 2) and Item 3-5.30 of the 2024 Amendments to the 2023 Special Session I Amendments to the 2023 Appropriation Act (House Bill 6002, Special Session I, Chapter 1) state that the participation of the Department in any capacity in any pending or future administrative or judicial proceeding in which the validity of a tax assessment is an issue is considered to be a collection effort for purposes of determining whether the Department acted within the applicable period for collecting assessments. These Acts specify that this provision is declarative of existing law.

Effective: May 13, 2024

Sunset Dates for Income Tax Credits and Sales and Use Tax Exemptions

Item 3-5.13 of the 2024 Appropriation Act (House Bill 6001, Special Session I, Chapter 2) prohibits the General Assembly from advancing the sunset date applicable to any existing tax credit or sales and use tax exemption beyond June 30, 2030. In addition, any new sales tax exemption or income tax credit enacted by the General Assembly after the 2019 regular legislative session, but prior to the 2029 regular legislative session must have a sunset date not later than June 30, 2030. Under prior law, such sunset dates were to be set no later than June 30, 2025.

However, this requirement excludes tax exemptions for non-profit entities, tax credits or exemptions with sunset dates after June 30, 2022, as enacted or advanced during the 2016 regular legislative session, the Virginia Housing Opportunity Tax Credit, and the Motion Picture Production Tax Credit. The Department is required to provide a revenue impact report by November 1, 2025, and every five years thereafter, concerning sales and use tax exemptions and tax credits expiring within two years from such report's release.

Effective: July 1, 2024

Income Tax Legislation

Research and Development Tax Credit Changes

House Bill 1518 (Chapter 661) changes the annual aggregate tax credit caps for both the Major Research and Development Expenses Tax Credit and the Research and Development Expenses Tax Credit as follows:

- ▶ The Major Research and Development Expenses Tax Credit's annual aggregate cap is reduced by \$8 million (from \$24 million to \$16 million), and
- ▶ The Research and Development Expenses Tax Credit's annual aggregate cap is increased by \$8 million (from \$7.77 million to \$15.77 million).

In addition, the Act makes two other changes to the Major Research and Development Expenses Tax Credit:

- ▶ Introduces a step-rate structure, such that the credit amount will be equal to:
 - ▶ 10 percent of net qualifying expenses for the first \$1 million in expenses, and
 - ▶ 5 percent of net qualifying expenses for expenses in excess of \$1 million.
- ▶ Introduces an annual per taxpayer limit of \$300,000 in credits (\$400,000 in the case of research conducted in conjunction with a public or private institution of higher education in the Commonwealth).

Under prior law, the Major Research and Development Expenses Tax Credit was generally equal to 10 percent of the net qualifying expenses regardless of the amount, and there was no annual per taxpayer limit. As under prior law, if a taxpayer did not pay or incur Virginia qualified research and development expenses in any one of the three taxable years immediately preceding the taxable year for which the credit is being determined, the amount of the Major Research and Development Expenses Tax Credit under this Act will continue to be 5 percent of the Virginia qualified research and development expenses paid or incurred.

Effective: Taxable years beginning on or after January 1, 2023
Amended: §§ 58.1-439.12:08 and 58.1-439.12:11

Communities of Opportunity Tax Credit Changes

House Bill 1203 (Chapter 322) extends the sunset date of the Communities of Opportunity Tax Credit from January 1, 2025 to January 1, 2026 and increases the maximum amount of tax credits that may be issued from \$250,000 to \$500,000 each fiscal year beginning on and after July 1, 2024. The Act reserves \$400,000 in Communities of Opportunity Tax Credits for participating landlords renting qualified housing units in eligible census tracts, defined as census tracts in Virginia in which less than 10 percent of the residents live below the poverty level. The remaining \$100,000 is reserved for participating landlords renting qualified housing units in eligible non-metropolitan census tracts, defined as census tracts outside of the Richmond Metropolitan Statistical Area, the Washington-Arlington-Alexandria Metropolitan Statistical Area, and the Virginia Beach-Norfolk-Newport News Metropolitan Area, and in which less than 40 percent of the residents live below the poverty line.

Effective: Taxable years beginning on or after January 1, 2024
Amended: § 58.1-439.12:04

Firearm Safety Device Tax Credit Expansion

House Bill 35 (Chapter 522) expands the definition of “firearm safety device” for purposes of the Firearm Safety Device Tax Credit to include any device that, when installed on a firearm, is designed to prevent the firearm from being operated without first deactivating the device. Under current law, “firearm safety device” is defined to include only firearm storage devices, such as gun safes, gun cases, and lock boxes.

Effective: Taxable years beginning on and after January 1, 2024
Amended: § 58.1-339.14

Historic Preservation Tax Credit Changes

House Bill 960 (Chapter 462), Senate Bill 556 (Chapter 512), and Item 3-5.17 of the 2024 Appropriation Act (House Bill 6001, Special Session I, Chapter 2) increase the maximum amount of the Historic Rehabilitation Tax Credit that a taxpayer may claim per taxable year from \$5 million to \$7.5 million. Taxpayers who have tax credit amounts in excess of \$7.5 million may carry forward excess credits and claim them in a future taxable year within the credit's current ten-year carryover period or until the full amount of the credit is used, whichever occurs first. The \$7.5 million annual limitation applies to all Historic Rehabilitation Tax Credits claimed by a taxpayer for a taxable year, including amounts carried over from prior taxable years.

Effective: Taxable years beginning on or after January 1, 2025
Amended: § 58.1-339.2

Land Preservation Tax Credit Changes: Tax Credit Cap

Item 3-5.22 of the 2024 Appropriation Act (House Bill 6001, Special Session I, Chapter 2) imposes a \$20,000 limitation on the amount of Land Preservation Tax Credits that a taxpayer may claim each year for Taxable Years 2024 and after. Because items contained in an appropriation act generally supersede conflicting provisions in the *Code of Virginia*, the Act's \$20,000 annual per taxpayer limitation supersedes the \$50,000 limitation specified in *Va. Code* § 58.1-512.

As under current law, the Land Preservation Tax Credit continues to be subject to:

- ▶ For Taxable Years 2017 through 2022, an annual per taxpayer limitation of \$20,000.
- ▶ For Taxable Year 2023, an annual per taxpayer limitation of \$50,000.

Effective: Taxable years beginning on and after January 1, 2017, but before January 1, 2023, and taxable years beginning on and after January 1, 2024
Supersedes: § 58.1-512

Education Improvement Scholarships Tax Credits

The second enactment of the 2024 Appropriation Act (House Bill 6001, Special Session I, Chapter 2) extends the sunset date of certain disability-related provisions of the Education Improvement Scholarships Tax Credit program from January 1, 2024 to January 1, 2028. This includes the following provisions:

- ▶ An increase in the aggregate amount of scholarships that may be provided by all eligible scholarship foundations to an eligible student with a disability for any single school year from 100 percent to 300 percent of the per pupil amount;
- ▶ A broadening of the definition of "eligible student with a disability" to include any child who is a resident of Virginia for whom an Individualized Education Plan has been written and finalized in accordance with the federal Individuals with Disabilities Education Act;
- ▶ A removal of the requirement that "eligible students with a disability" meet the articles definition of "student" and that the household income of such students is required to be in excess of 400 percent of the current poverty guidelines; and
- ▶ A requirement that an eligible student with a disability may only receive the increased amount of scholarship funds if they attend a school for students with disabilities that meets certain specified criteria.

Effective: July 1, 2024

Agricultural Best Management Practices Tax Credit: Extension of the Sunset Date

House Bill 1015 (Chapter 212) and Senate Bill 297 (Chapter 233) extend the sunset date for the Agricultural Best Management Practices Tax Credit for individuals and corporations from January 1, 2025 to January 1, 2030.

Effective: Taxable years beginning on and after January 1, 2025, but before January 1, 2030
Amended: §§ 58.1-339.3 and 58.1-439.5

Tax Credit for Purchase of Conservation Tillage and Precision Agriculture Equipment: Extension of the Sunset Date

House Bill 1015 (Chapter 212) and Senate Bill 298 (Chapter 234) extend the sunset date for the Tax Credit for Purchase of Conservation Tillage and Precision Agriculture Equipment for individuals and corporations from January 1, 2026 to January 1, 2030.

Effective: July 1, 2024

Amended: §§ 58.1-337 and 58.1-436

Retail Sales and Use Tax

Annual Retail Sales and Use Tax Holiday

House Bill 25 (Chapter 628) and Senate Bill 116 (Chapter 663) effectively extend the sunset date applicable to the annual three-day retail sales and use tax holiday for school supplies and clothing, Energy Star and WaterSense products, and hurricane preparedness products from July 1, 2025 to July 1, 2030.

Effective: July 1, 2025
Added: § 58.1-639.1

Erroneous Retail Sales and Use Tax Payments

House Bill 1508 (Chapter 113) and Senate Bill 709 (Chapter 128) provide that, upon the application of a taxpayer, if the Department determines that the taxpayer has erroneously remitted retail sales tax payments to the Department with respect to a transaction by a contractor and for which the Department has made a use tax assessment, and such taxpayer has not so requested, the Department must apply the erroneously remitted retail sales tax proceeds to a use tax assessment of the taxpayer for the same transactions. To be eligible, the taxpayer must provide evidence of the erroneously paid retail sales tax amount collected and remitted in each transaction. A taxpayer may not apply for and receive such relief if he has previously applied for and received such relief, or in the case of a false or fraudulent action by the taxpayer with the intention of evading the tax.

This Act does not entitle any taxpayer to a refund of any retail sales tax payments erroneously remitted unless or until the taxpayer can affirmatively show that the tax has since been refunded to the purchaser or credited to such purchaser's account.

Effective: July 1, 2024
Amended: § 58.1-1812

Retail Sales and Use Tax Exemptions for Non-profit Entities

House Bill 464 (Chapter 287) increases the minimum threshold for gross annual revenue of a nonprofit entity that allows the Department to require such entity to provide a financial audit before receiving a Retail Sales and Use Tax exemption from \$1 million to \$1.5 million. Entities with gross annual revenue over \$750,000 in the prior tax year will still, however, be required to provide a financial review performed by a certified public accountant.

Effective: July 1, 2024
Amended: § 58.1-609.11

Exemption for Certain Drilling Equipment: Extension of Sunset Date

Item § 3-5.23 of the 2024 Appropriation Act (House Bill 6001, Special Session I, Chapter 2) extends the sunset date for the retail sales and use tax exemption applicable to raw materials, supplies, machinery, and other specified tangible personal property used directly in the drilling, extraction, or processing of natural gas or oil and the reclamation of the well area from July 1, 2024 to July 1, 2025.

Effective: July 1, 2024
Superseded: § 58.1-609.3

Entitlement to Certain Sales Tax Revenues

Item §3-5.24 of the 2024 Appropriation Act (House Bill 6001, Special Session I, Chapter 2) clarifies that the revenues to which a municipality may be entitled under Virginia’s public facility entitlement program is limited to the revenues generated by the 2.025 percent unrestricted sales and use tax.

Effective: July 1, 2024

Tobacco Tax Legislation

Registration of Tobacco Products Retailers

House Bill 790 (Chapter 821) and Senate Bill 582 (Chapter 796) broaden the definition of “retail dealer” for purposes of the Tobacco Products Tax to also include any person that holds an approved Retail Sales and Use Tax Exemption Certification for Stamped Cigarettes Purchased for Resale or an Other Tobacco Products Distributor’s License issued by the Department.

These Acts also establish that no tobacco retailer can operate a tobacco retail establishment unless such tobacco retailer has obtained a license for each location or place of business from the Department. However, any retail dealer who holds an approved Retail Sales and Use Tax Exemption Certificate for Stamped Cigarettes Purchased for Resale or an Other Tobacco Products Distributor’s License issued by the Department is not required to obtain a license under these Acts.

Every application for a liquid nicotine and nicotine vapor products license is required to include specified information and must be accompanied by a fee as prescribed by the Department. Upon receipt of such application, the Department is required to conduct a background investigation. The Department may refuse to issue a license or to suspend, revoke, or refuse to renew a license if the principals and managers at the licensable location of the applicant have been convicted of specified crimes.

Additionally, the Department is required to impose penalties on:

- ▶ Any retail establishment that:
 - ▶ Sells liquid nicotine or nicotine vapor products to a person who has not attained the legal age for that purchase, and
 - ▶ Makes a sale without a valid liquid nicotine and nicotine vapor products license; and
- ▶ Any retail dealer that sells retail tobacco product to a person under 21 years of age who has not attained the legal age.

These Acts also provide that the Department is required to collaborate with the Virginia Alcoholic Beverage Control Authority and local law enforcement to enforce and administer the tax and licensing of liquid nicotine and nicotine vapor products. This includes enforcement of age verification, product verification, advertising restrictions, licensing, and collection of the tax. In addition, these Acts also create the Tobacco Retail Enforcement Fund (“the Fund”). Revenues generated by the penalties above are to be deposited into the Fund. Moneys in the fund are allowed to be used solely for the purposes of funding the Department’s direct and indirect costs of the license administration and enforcement program, and the administrative costs of education and training, retail inspections, and unannounced compliance checks.

Effective: July 1, 2024

Amended: §§ 58.1-1021.01, 58.1-1021.02, 58.1-1021.04:1, 58.1-1021.04:5, 58.1-1021.04:10, and 58.1-1021.04:11

Added: §§ 58.1-1021.06 through 58.1-1021.09, 59.1-293.12, 59.1-293.13, and 59.1-293.14.

Taxation of Liquid Nicotine

Item 3-5.19 of the 2024 Appropriation Act (House Bill 6001, Special Session I, Chapter 2) increase the rate at which the Tobacco Products Tax is imposed on liquid nicotine from \$0.066 per milliliter to \$0.11 per milliliter.

Effective: July 1, 2024
Supersedes: § 58.1-1021.02

Liquid Nicotine and Nicotine Vapor Products: Penalties

House Bill 1069 (Chapter 828) and Senate Bill 550 (Chapter 793) require that any person that receives, stores, sells, handles, or transports liquid nicotine or nicotine vapor products to preserve all records relating to the purchase, sale, exchange, receipt, or transportation of all liquid nicotine or nicotine vapor products for a period of three years. These Acts provide that all such records are subject to audit or inspection at any time by any duly authorized representative of the Attorney General. Any person who violates the recordkeeping provisions of these Acts is guilty of a Class 2 misdemeanor.

These Acts provide that the Department, the Attorney General, any other law-enforcement agency of the Commonwealth, or any federal law-enforcement agency conducting a criminal investigation involving the trafficking of liquid nicotine or nicotine vapor products may access at any time such records. Additionally, the Department is required to impose a penalty of \$1,000 for each day that a person fails or refuses to allow or cooperate with an audit, inspection, or investigation of all invoices, books, papers, canceled checks, or other documents relating to the purchase, sale, exchange, receipt, or transportation of all liquid nicotine or nicotine vapor products. These documents are required to be preserved for a period of three years. Under these Acts, such penalty will be collected like other taxes.

These Acts also allow the Attorney General to apply to the Circuit Court for the City of Richmond for injunctive relief when a person refuses to cooperate with an audit, inspection, or investigation.

Effective: July 1, 2025
Added: § 59.1-293.16

Taxation of Heated Tobacco Products

House Bill 1099 (Chapter 611) redefines “cigarette” for cigarette tax purposes to include any product containing nicotine that is intended to be burned or heated under ordinary conditions of use. Under this Act, cigarettes intended to be heated are subject to the cigarette tax at a rate of 2.25 cents per stick on each such cigarette sold, stored, or received on and after July 1, 2024. Other cigarettes continue to be subject to the excise tax at a rate of three cents per stick.

This Act also clarifies that a “cigarette intended to be heated” is excluded from the definition of “heated tobacco product” for purposes of the Tobacco Products Tax. Heated tobacco products other than cigarettes intended to be heated continue to be subject to the Tobacco Products Tax.

The Department is required, to the extent practical, to develop a stamp for the purposes of the tax levied on cigarettes intended to be heated. Until such stamp is developed, no cigarettes intended to be heated will be certified by the Attorney General for sale in the Commonwealth.

Effective: July 1, 2024
Amended: §§ 58.1-1000, 58.1-1001, and 58.1-1021.01

Other State Tax Legislation

Assessment from the Sale of Soybeans

House Bill 1377 (Chapter 149) clarifies Virginia law by specifying that the amount of the assessment for research, education, publicity, and the promotion of the sale and use of soybeans is taxed at a rate of one half of one percent of the net market price per bushel. Under prior Virginia law, such rate was set at \$0.02 per bushel. However, such law is superseded by federal law, which sets forth the one half of one percent rate. As a result, this Act brings Virginia’s law in line with federal law.

Effective: July 1, 2024
Amended: §§ 3.2- 2307 and 3.2-2312

Recordation and Grantor Taxes: Value of Interest Conveyed or Value of Interest

House Bill 574 (Chapter 140) establishes that, for the purpose of the recordation taxes, the “value of the property conveyed” or “value of the interest” mean the most recent property tax assessment for such property at the time the property is conveyed. This Act also provides that this provision applies to all recordation taxes set out in Chapter 8 of Title 58.1.

Effective: July 1, 2024

Amended: § 58.1-801

Local Tax Legislation

Real Property Tax

Referendum to Expand Property Tax Exemption for Surviving Spouses of Soldiers Killed in Action

Senate Bill 4 (Chapter 395) provides for a referendum during the November 2024 election asking voters whether to amend Article X, Section 6-A of the Constitution of Virginia to broaden the property tax exemption for surviving spouses of soldiers killed in action to instead be available to surviving spouses of soldiers who died in the line of duty. If a majority of those voting in the November 2024 election vote in favor of the amendment, it would become effective January 1, 2025.

Effective: July 1, 2024

Exemption for Surviving Spouses of a Member of the Armed Forces Who Died in the Line of Duty

Senate Bill 240 (Chapter 583) changes the standard required for a surviving spouse of a member of the armed forces to qualify for the real property tax exemption on their principal place of residence by requiring a Line of Duty determination from the U.S. Department of Defense, rather than a killed in action determination.

This Act also repeals a locality's ability to declare real property owned by a surviving spouse of a member of the armed forces with a Line of Duty determination from the U.S. Department of Defense, where such death was not the result of criminal conduct, to be a separate class of property for local taxation of real property. If a majority of those voting in the referendum at the November 5, 2024, election approve an amendment to the Constitution of Virginia that would expand this real property tax exemption, it would become effective on January 1, 2025.

Effective: January 1, 2025
Amended: § 58.1-3219.9 and 58.1-3219.10
Repealed: § 58.1-3228.2

Notice of Assessment Changes for Real Property Tax

House Bill 639 (Chapter 142) and Senate Bill 677 (Chapter 14) require that, in any locality that conducts an annual or biennial reassessment of real estate or if the tax rate to be applied to the new assessed value has not been established, if the overall total assessed value of real property in the locality, excluding certain additional

assessments, would result in an increase in one percent or more in the total real property tax levied in the locality, notice given to the taxpayer must set forth the tax rate that would levy the same amount of real estate tax as the previous year when multiplied by the new total assessed value of real estate, excluding additional assessments due to new construction or improvements to real property.

Effective: July 1, 2024
Amended: § 58.1-3330

Nonjudicial Sale of Tax Delinquent Real Property Within Urban Redevelopment or Revitalization Zones

House Bill 258 (Chapter 636) authorizes the nonjudicial sale of tax delinquent real property assessed at more than \$25,000 but no more than \$40,000 if taxes are delinquent for at least three years, the property is not subject to a recorded mortgage or deed of trust lien, and such property is:

- ▶ Unimproved,
- ▶ One-half acre or less in size, and
- ▶ Located within a designated urban redevelopment or revitalization zone.

Effective: July 1, 2024
Amended: § 58.1-3975

Department of Real Estate Assessment in Orange County

Senate Bill 9 (Chapter 570) authorizes Orange County to establish a department of real estate assessment and to enter into an agreement with a contiguous county or city to establish a joint department of real estate assessment.

Effective: July 1, 2024
Amended: § 58.1-3274

Personal Property Tax

Tangible Personal Property Tax: Indoor Agriculture Equipment and Machinery

House Bill 1429 (Chapter 87) and Senate Bill 483 (Chapter 88) provide that farm machinery, farm equipment, and farm implements (other than farm machinery designed solely for the planting, production or harvesting of a single product or commodity) used by an indoor, closed, controlled-environment commercial agricultural facility are a class of farm machinery and implements that a locality may exempt from personal property taxation.

Farm machinery, farm equipment, and farm implements include:

- ▶ Internal components or materials, whether or not they are affixed to real property, of the facility required (i) to create, support, and maintain the necessary growing environment for plants, including towers for growing plants; conveyances for moving such towers; and insulation, partitions, and cladding; (ii) for lighting systems; (iii) for heating, cooling, humidification, dehumidification, and air circulation systems; and (iv) for watering and water treatment systems; and
- ▶ External components, machinery, and equipment required (i) for heating, cooling, humidification, dehumidification, and air circulation systems; (ii) for utility upgrades and related distribution infrastructure; and (iii) for creating, supporting, and maintaining the necessary growing environment for plants.

An indoor, closed, controlled-environment commercial agricultural facility includes indoor vertical farming or a greenhouse. A locality is allowed to partially or fully exempt such property from its personal property tax or set a different rate for such property.

Effective: July 1, 2024
Amended: § 58.1-3505

Tangible Personal Property Tax; Classification: Certain Vehicles

House Bill 1502 (Chapter 660) and Senate Bill 194 (Chapter 665) removes the January 1, 2025, sunset date on the authorization for localities to assign a rate of tax or assessment different from the general tangible personal property rate on certain automobiles, passenger trucks, motor vehicles with specially designed equipment for use by the handicapped, motorcycles, mopeds, all-terrain vehicles, and off-road motorcycles, campers, and other recreational vehicles.

Effective: July 1, 2024

Other Local Tax Legislation

Installment Agreements for Omitted Local Taxes

House Bill 1503 (Chapter 488) allows the governing body of a locality to authorize its treasurer or other collecting official to enter into installment agreements with taxpayers who have been assessed with omitted taxes, including any penalty and interest, over a term of up to 72 months. This Act also requires that the installment agreement provide for the payment of current tax obligations, with payments credited to current tax obligations as they come due.

Effective: July 1, 2024

Amended: § 58.1-3916

Military Centered Community Zones; Local Designation

House Bill 619 (Chapter 298) and Senate Bill 343 (Chapter 350) authorize localities to create “military centered community” zones. A “military centered community” zone means a zone, designated by a locality, to contain a significant presence of living or working military personnel whose significant presence drives, or has the potential to drive, significant economic activity.

Inside of these zones, localities are permitted to grant tax incentives, such as but not limited to:

- ▶ Reduction of permit fees;
- ▶ Reduction of user fees; and
- ▶ Notwithstanding any other provision of law, reduction of any type of gross receipts tax.

Effective: July 1, 2024

Added: § 58.1-3853.1

Local Incentives for Motor Sports Facilities

Senate Bill 17 (Chapter 572) allows localities that are home to a motor sports facility to propose local incentives that would address economic conditions and help stimulate real property improvements including a reduction of business, professional, and occupational license taxes or partial exemption from taxation of substantially rehabilitated real estate.

Effective: July 1, 2024
Added: § 59.1-542.1

Tax Assessment Districts: Petition by Parcel Owners

House Bill 1211 (Chapter 740) changes the method of petitions by landowners for the creation of tax assessment districts by requiring the petition of the owners of three-fourths the affected parcels of land. Prior law required the petition of three-fourths of the affected landowners within the district.

Tax assessment districts are districts within a locality wherein the locality may impose additional taxes or assessments within the district for the purposes of building local improvements such as sidewalks, alleys, water management facilities, retaining walls, curbs, gutters, waterlines, streetlights, canopies, benches, and waste receptacles.

Effective: July 1, 2024
Amended: § 15.2-2405

Legislative Studies/Reports

Joint Subcommittee on Tax Policy

Item 1 (N)(4) of the 2024 Appropriation Act (House Bill 6001, Special Session I, Chapter 2) directs the Joint Subcommittee on Tax Policy to explore options to modernize the Commonwealth’s income, sales, and use taxes during the 2024 interim. The Subcommittee was established in 2021 to evaluate the fiscal impact of certain tax policy options while giving consideration to the fairness, certainty, convenience of payment, economy in collection, simplicity, neutrality, and economic efficiency of the Commonwealth’s tax policies and any changes thereto. The goals and objectives of the Subcommittee’s 2024 interim meeting include:

- ▶ Evaluating existing sales and use tax exemptions;
- ▶ Applying sales and use tax to digital goods and services, including transactions involving businesses;
- ▶ Evaluating efforts to increase the progressivity of the income tax; and
- ▶ Long-term revenue growth to maintain core government services.

Effective: July 1, 2024

Study on Tax Relief in Qualified Virginia Localities

Senate Bill 564 (Chapter 599) requires the Department and the Commission on Local Government, in collaboration with relevant stakeholders, to assess the need for income tax relief in double distressed localities experiencing significant population loss since 2013. The Department and the Commission on Local Government are required to report the recommendations of the assessment to the Governor and the Chairmen of the Senate Committee on Finance and Appropriations and the House Committees on Finance and Appropriations by November 1, 2024.

Effective: July 1, 2024

Assessment of the Department’s Operating System

Item 257 (D) of the 2024 Appropriation Act (House Bill 6001, Special Session I, Chapter 2) continues efforts regarding modernization of the Department’s Integrated Revenue Management System (“IRMS”) operating system. This includes establishment of a workgroup to include the Secretary of Finance or his designee, staff from the House Appropriations and Senate Finance and Appropriations Committees, the Director of the Department of Planning and Budget, and the Chief Information Officer of the Virginia Information Technologies Agency.

The workgroup is directed to review the plan for implementation of an IRMS modernization project as developed by the Department based upon recommendations of the 2022 IRMS assessment required by the 2022 Appropriation Act (House Bill 30, Special Session I, Chapter 2). This review includes:

- ▶ Consideration of methodologies for refactoring and replacement;
- ▶ The project roadmap and timeline, costs and funding structure; and
- ▶ The governance structure required for the modernization effort.

In addition, the workgroup is required to provide periodic oversight of the implementation of the IRMS modernization project, and to submit an update on its findings and recommendations to the Governor and the Chairs of the House Appropriations and Senate Finance and Appropriations Committees by November 1, 2024, with an annual executive summary of the interim activity of the project implementation by November 1 of each subsequent year until implementation of a new system is complete.

Effective: July 1, 2024

Surplus Lines Insurance

Item 261(G) of the 2024 Appropriation Act (House Bill 6001, Special Session I, Chapter 2) directs the Department of Treasury, in consultation with the Department, to study the impact of exempting state agencies and authorities from being charged with the insurance premiums license tax by surplus line brokers for insurance policies procured. The Act requires that the findings of the study be submitted in a report to the Chairs of the House Appropriations Committee and the Senate Finance and Appropriations Committee.

Effective: July 1, 2024

Index by Bill Number

Bill No.	Chapter	Subject	Page
HB 0025	628	Annual Retail Sales and Use Tax Holiday.....	11
HB 0035	522	Firearm Safety Device Tax Credit Expansion	8
HB 0258	636	Nonjudicial Sale of Tax Delinquent Real Property Within Urban Redevelopment or Revitalization Zones.....	18
HB 0464	287	Retail Sales and Use Tax Exemptions for Non-profit Entities.....	12
HB 0574	140	Recordation and Grantor Taxes: Value of Interest Conveyed or Value of Interest	16
HB 0619	298	Military Centered Community Zones; Local Designation.....	20
HB 0639	142	Notice of Assessment Changes for Real Property Tax.....	17
HB 0790	821	Registration of Tobacco Products Retailers.....	13
HB 0960	462	Historic Preservation Tax Credit Changes	9
HB 1015	212	Agricultural Best Management Practices Tax Credit: Extension of the Sunset Date	10
HB 1015	212	Tax Credit for Purchase of Conservation Tillage and Precision Agriculture Equipment: Extension of the Sunset Date.....	10
HB 1069	828	Liquid Nicotine and Nicotine Vapor Products: Penalties.....	14
HB 1099	611	Taxation of Heated Tobacco Products.....	15
HB 1203	322	Communities of Opportunity Tax Credit Changes.....	8
HB 1211	740	Tax Assessment Districts: Petition by Parcel Owners.....	21
HB 1377	149	Assessment from the Sale of Soybeans.....	15
HB 1429	87	Tangible Personal Property Tax: Indoor Agriculture Equipment and Machinery.....	19
HB 1502	660	Tangible Personal Property Tax; Classification: Certain Vehicles.....	19
HB 1503	488	Installment Agreements for Omitted Local Taxes.....	20
HB 1508	113	Erroneous Retail Sales and Use Tax Payments.....	11
HB 1518	661	Research and Development Tax Credit Changes.....	7
HB 6001	2	Electronic Filing of Form R-1.....	6
HB 6001	2	Income Validation for Toll Relief Program	6
HB 6001	2	Clarification of Meaning of a Collection Effort	6
HB 6001	2	Sunset Dates for Income Tax Credits and Sales and Use Tax Exemptions	6
HB 6001	2	Historic Preservation Tax Credit Changes	9
HB 6001	2	Land Preservation Tax Credit Changes: Tax Credit Cap.....	9
HB 6001	2	Education Improvement Scholarships Tax Credits	10
HB 6001	2	Exemption for Certain Drilling Equipment: Extension of Sunset Date	12
HB 6001	2	Entitlement to Certain Sales Tax Revenues.....	12
HB 6001	2	Taxation of Liquid Nicotine.....	14
HB 6001	2	Joint Subcommittee on Tax Policy.....	22
HB 6001	2	Assessment of the Department's Operating System	22
HB 6001	2	Surplus Lines Insurance	23
SB 0004	395	Referendum to Expand Property Tax Exemption for Surviving Spouses of Soldiers Killed in Action	17
SB 0009	570	Department of Real Estate Assessment in Orange County.....	18
SB 0017	572	Local Incentives for Motor Sports Facilities	20
SB 0116	663	Annual Retail Sales and Use Tax Holiday.....	11
SB 0297	233	Agricultural Best Management Practices Tax Credit: Extension of the Sunset Date	10

Index by Bill Number

Bill No.	Chapter	Subject	Page
SB 0298	234	Tax Credit for Purchase of Conservation Tillage and Precision Agriculture Equipment: Extension of the Sunset Date.....	10
SB 0343	350	Military Centered Community Zones; Local Designation.....	20
SB 0483	88	Tangible Personal Property Tax: Indoor Agriculture Equipment and Machinery.....	19
SB 0550	793	Liquid Nicotine and Nicotine Vapor Products: Penalties.....	14
SB 0556	512	Historic Preservation Tax Credit Changes	9
SB 0564	599	Study on Tax Relief in Qualified Virginia Localities.....	22
SB 0582	796	Registration of Tobacco Products Retailers.....	13
SB 0709	128	Erroneous Retail Sales and Use Tax Payments.....	11

Index by Chapter Number

Bill No.	Chapter	Subject	Page
HB 6001	2	Electronic Filing of Form R-1.....	6
HB 6001	2	Income Validation for Toll Relief Program	6
HB 6001	2	Clarification of Meaning of a Collection Effort	6
HB 6001	2	Sunset Dates for Income Tax Credits and Sales and Use Tax Exemptions	6
HB 6001	2	Historic Preservation Tax Credit Changes	9
HB 6001	2	Land Preservation Tax Credit Changes: Tax Credit Cap.....	9
HB 6001	2	Education Improvement Scholarships Tax Credits	10
HB 6001	2	Exemption for Certain Drilling Equipment: Extension of Sunset Date	12
HB 6001	2	Entitlement to Certain Sales Tax Revenues.....	12
HB 6001	2	Taxation of Liquid Nicotine.....	14
HB 6001	2	Joint Subcommittee on Tax Policy.....	22
HB 6001	2	Assessment of the Department's Operating System	22
HB 6001	2	Surplus Lines Insurance	23
HB 1429	87	Tangible Personal Property Tax: Indoor Agriculture Equipment and Machinery.....	19
SB 0483	88	Tangible Personal Property Tax: Indoor Agriculture Equipment and Machinery.....	19
HB 1508	113	Erroneous Retail Sales and Use Tax Payments.....	11
SB 0709	128	Erroneous Retail Sales and Use Tax Payments.....	11
HB 0574	140	Recordation and Grantor Taxes: Value of Interest Conveyed or Value of Interest	16
HB 0639	142	Notice of Assessment Changes for Real Property Tax.....	17
HB 1377	149	Assessment from the Sale of Soybeans.....	15
HB 1015	212	Agricultural Best Management Practices Tax Credit: Extension of the Sunset Date	10
HB 1015	212	Tax Credit for Purchase of Conservation Tillage and Precision Agriculture Equipment: Extension of the Sunset Date.....	10
SB 0297	233	Agricultural Best Management Practices Tax Credit: Extension of the Sunset Date	10
SB 0298	234	Tax Credit for Purchase of Conservation Tillage and Precision Agriculture Equipment: Extension of the Sunset Date.....	10
HB 0464	287	Retail Sales and Use Tax Exemptions for Non-profit Entities.....	12
HB 0619	298	Military Centered Community Zones; Local Designation.....	20
HB 1203	322	Communities of Opportunity Tax Credit Changes.....	8
SB 0343	350	Military Centered Community Zones; Local Designation.....	20
SB 0004	395	Referendum to Expand Property Tax Exemption for Surviving Spouses of Soldiers Killed in Action	17
HB 0960	462	Historic Preservation Tax Credit Changes	9
HB 1503	488	Installment Agreements for Omitted Local Taxes.....	20
SB 0556	512	Historic Preservation Tax Credit Changes	9
HB 0035	522	Firearm Safety Device Tax Credit Expansion	8
SB 0009	570	Department of Real Estate Assessment in Orange County.....	18
SB 0017	572	Local Incentives for Motor Sports Facilities	20
SB 0564	599	Study on Tax Relief in Qualified Virginia Localities.....	22
HB 1099	611	Taxation of Heated Tobacco Products.....	15
HB 0025	628	Annual Retail Sales and Use Tax Holiday.....	11

Index by Chapter Number

Bill No.	Chapter	Subject	Page
HB 0258	636	Nonjudicial Sale of Tax Delinquent Real Property Within Urban Redevelopment or Revitalization Zones.....	18
HB 1502	660	Tangible Personal Property Tax; Classification: Certain Vehicles.....	19
HB 1518	661	Research and Development Tax Credit Changes.....	7
SB 0116	663	Annual Retail Sales and Use Tax Holiday.....	11
HB 1211	740	Tax Assessment Districts: Petition by Parcel Owners.....	21
SB 0550	793	Liquid Nicotine and Nicotine Vapor Products: Penalties.....	14
SB 0582	796	Registration of Tobacco Products Retailers.....	13
HB 0790	821	Registration of Tobacco Products Retailers.....	13
HB 1069	828	Liquid Nicotine and Nicotine Vapor Products: Penalties.....	14