

**DEPARTMENT OF TAXATION
2025 Fiscal Impact Statement**

- 1. **Patron** Mark D. Sickles
- 3. **Committee** Senate Finance and Appropriations
- 4. **Title** Real property tax; Exemption for religious buildings; rebuilding structure

- 2. **Bill Number** HB 2302
House of Origin:
 Introduced
 Substitute
 Engrossed

Second House:
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would provide 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 would also be required to demonstrate that (i) the property was exempt prior to replacement of the structure, (ii) construction will commence no later than six months after discontinuation of the former use of the property; (iii) the property will be used for no other purpose during the construction of such building; (iv) a reasonable timeline exists for completion of the structure and construction is proceeding at an appropriate pace; and (v) 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.

Under current law, real property, certain additional adjacent land, and personal property owned by churches or religious bodies and exclusively occupied or used for religious worship or for the residence of the minister of any church or religious body are exempt from state and local taxation by classification. The current exemption includes property used for outdoor worship activities, property used for ancillary and accessory purposes, the dominant purpose of which is to support or augment the principal religious worship use, and property used as required by law.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective July 1, 2025.

- 6. **Budget amendment necessary:** No.
- 7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)
- 8. **Fiscal implications:**

Administrative Costs

This bill would have an unknown impact on local administrative costs but no impact on state costs.

Revenue Impact

This bill would have an unknown impact on local revenues but no impact on state revenue.

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: No.

11. Other comments:

Property Exempt from Taxation by Classification

Article X, Section 6(a)(6) of the *Constitution of Virginia* exempts property from state and local taxation that is used by its owner for religious, charitable, patriotic, historical, benevolent, cultural, or public park and playground purposes, as may be provided by classification or designation by an ordinance adopted by the local governing body.

Pursuant to the authority granted in Article X, Section 6(a)(6), the following classes of real and personal property are designated exempt from taxation:

- (1) Property owned directly or indirectly by the Commonwealth, or any political subdivision thereof.
- (2) Real property and personal property owned by churches or religious bodies, including (i) an incorporated church or religious body and (ii) a corporation mentioned in § 57-16.1, and exclusively occupied or used for religious worship or for the residence of the minister of any church or religious body, and such additional adjacent land reasonably necessary for the convenient use of any such property. Real property exclusively used for religious worship shall also include the following: (a) property used for outdoor worship activities; (b) property used for ancillary and accessory purposes as allowed under the local zoning ordinance, the dominant purpose of which is to support or augment the principal religious worship use; and (c) property used as required by federal, state, or local law.
- (3) Nonprofit private or public burying grounds or cemeteries.
- (4) Property owned by public libraries, law libraries of local bar associations when the same are used or available for use by a state court or courts or the judge or judges thereof, medical libraries of local medical associations when the same are used or

available for use by state health officials, incorporated colleges or other institutions of learning not conducted for profit.

(5) Property belonging to and actually and exclusively occupied and used by the Young Men's Christian Associations and similar religious associations, including religious mission boards and associations, orphan or other asylums, reformatories, hospitals and nunneries, conducted not for profit but exclusively as charities (which includes hospitals operated by nonstock corporations not organized or conducted for profit but which may charge persons able to pay in whole or in part for their care and treatment).

(6) Parks or playgrounds held by trustees for the perpetual use of the general public.

(7) Buildings with the land they actually occupy, and the furniture and furnishings therein belonging to any benevolent or charitable organization and used by it exclusively for lodge purposes or meeting rooms, together with such additional adjacent land as may be necessary for the convenient use of the buildings for such purposes.

(8) Property of any nonprofit corporation organized to establish and maintain a museum.

Proposal

This bill would provide that, for tax years on and after January 1, 2023, the tax exemption for property used for religious worship shall include property on which a church or other building for religious worship is being replaced or rebuilt. The bill would require the property owner to demonstrate, to the satisfaction of the locality, the intention to use such structure exclusively for religious worship or for the residence of the minister of any church or religious body.

The bill would also require the property owner to demonstrate that:

- (i) The property was exempt by classification as property used for religious worship prior to the rebuilding or replacement of the structure;
- (ii) Construction of the replacement or rebuilt structure will commence no later than six months after discontinuation of the former use of the property;
- (iii) The property will be used for no other purpose during the construction of such building;
- (iv) A reasonable timeline exists for completion of the structure and construction is proceeding at an appropriate pace; and
- (v) 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.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective July 1, 2025.

Similar Legislation

HB 1896 would provide 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.

cc : Secretary of Finance

Date: 02/05/2025 VB
HB2302FE161