

# DEPARTMENT OF TAXATION

## 2025 Fiscal Impact Statement

1. **Patron** Rodney T. Willett

3. **Committee** Passed House and Senate

4. **Title** Real property tax; Exemption by classification

2. **Bill Number** HB 1896

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

**Second House:**

           **In Committee**

           **Substitute**

  X   **Enrolled**

### 5. **Summary/Purpose:**

This bill would clarify 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.

Under current law, property 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, is exempt from state and local taxation.

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 revenues.

### 9. **Specific agency or political subdivisions affected:**

All localities

**10. Technical amendment necessary:** No.

**11. Other comments:**

Single-member limited liability companies are disregarded entities for federal and state tax purposes.

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 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.

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

cc : Secretary of Finance

Date: 02/17/2025 VB  
HB1896FER161