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HOUSE BILL NO. 697

Offered January 14, 2026

Prefiled January 13, 2026

A BILL to amend the Code of Virginia by adding in Article 3 of Chapter 3 of Title 58.1 a section numbered 58.1-339.15, relating to income tax; credit for surviving spouse's real property taxes.

Patron—Kent

Committee Referral Pending

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Article 3 of Chapter 3 of Title 58.1 a section numbered 58.1-339.15 as follows:

§ 58.1-339.15. Credit for surviving spouse's real property taxes.

A. For purposes of this section:

"Eligible veteran" means a veteran who had been determined by the U.S. Department of Veterans Affairs to have a 100 percent service-connected, permanent, and total disability.

"Qualifying portion of real property taxes" means the total amount of real property taxes levied and paid, if due, for the most recent assessment of a surviving spouse's qualifying residence.

"Qualifying residence" means any real property (i) in which a taxpayer had an ownership interest for at least 30 days of the taxable year for which a credit is claimed pursuant to this section and (ii) that served as such taxpayer's primary residence during the entirety of such ownership interest.

"Surviving spouse" means the surviving spouse (i) of an eligible veteran; (ii) that would have been eligible for the exemption provided in Article 2.3 (§ 58.1-3219.5 et seq.) of Chapter 32 of Title 58.1 but for the death of such eligible veteran occurring prior to January 1, 2011; and (iii) who paid real property taxes on a qualifying residence during the taxable year for which a credit is claimed pursuant to this section.

B. For taxable years beginning on and after January 1, 2026, but before January 1, 2031, a surviving spouse shall be allowed to claim a nonrefundable credit against the tax levied pursuant to § 58.1-320 in an amount equal to such taxpayer's qualifying portion of real property taxes for any qualifying residence.

C. The amount of the credit that may be claimed in any single taxable year shall not exceed the taxpayer's liability for taxes imposed by this chapter for that taxable year. If the amount of the credit allowed under this section exceeds the taxpayer's tax liability for the taxable year, the excess may be carried over for credit against the income taxes of the taxpayer in the next five taxable years, or until the total credit amount has been taken, whichever is sooner. The aggregate amount of credits allowable under this section shall not exceed \$5 million per taxable year. Credits shall be allocated by the Department on a first-come, first-served basis.

D. The Tax Commissioner shall develop guidelines for claiming the credit provided by this section. Such guidelines shall be exempt from the provisions of the Administrative Process Act (§ 2.2-4000 et seq.).

INTRODUCED

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