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HOUSE BILL NO. 1135

Offered January 14, 2026

Prefiled January 14, 2026

A BILL to amend the Code of Virginia by adding in Article 13 of Chapter 3 of Title 58.1 a section numbered 58.1-439.12:13, relating to income tax; credit for affordable housing projects.

Patron—Leftwich

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Article 13 of Chapter 3 of Title 58.1 a section numbered 58.1-439.12:13 as follows:

§ 58.1-439.12:13. Tax credit for affordable housing projects.

A. For purposes of this section:

"Affordable housing project" means a housing project determined by the locality in which it is located to be affordable housing and that is committed for a 30-year term to holding 60 percent of the units aside for qualifying tenants.

"Qualifying taxpayer" means a taxpayer that, during the taxable year, owns a direct or indirect interest through one or more pass-through entities, in an affordable housing project.

"Qualifying tenant" means a tenant with a Virginia adjusted gross income less than 120 percent of the area median income, adjusted for family size.

B. For taxable years beginning on and after January 1, 2026, but before January 1, 2031, a qualifying taxpayer shall be allowed to claim a nonrefundable credit against the tax levied pursuant to § 58.1-320 or 58.1-400 in an amount equal to the product of (i) the portion of such taxpayer's ownership in an affordable housing project and (ii) the sum of 50 percent of the difference between the fair market value of each unit rented to a qualifying tenant and the rent actually charged to such tenant for the unit, computed for that portion of the taxable year in which the unit was rented to such tenant.

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

D. Credits granted to a partnership, limited liability company, or electing small business corporation (S corporation) shall be allocated to the individual partners, members, or shareholders, respectively, in proportion to their ownership interests in such entities or in accordance with a written agreement entered into by such individual partners, members, or shareholders.

E. The Tax Commissioner, in consultation with the Department of Housing and Community Development, 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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