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1 **HOUSE BILL NO. 1135**

2 Offered January 14, 2026

3 Prefiled January 14, 2026

4 *A BILL to amend the Code of Virginia by adding in Article 13 of Chapter 3 of Title 58.1 a section numbered*  
5 *58.1-439.12:13, relating to income tax; credit for affordable housing projects.*

6 Patron—Leftwich

7 Referred to Committee on Finance

8 **Be it enacted by the General Assembly of Virginia:**9 **1. That the Code of Virginia is amended by adding in Article 13 of Chapter 3 of Title 58.1 a section**  
10 **numbered 58.1-439.12:13 as follows:**11 **§ 58.1-439.12:13. Tax credit for affordable housing projects.**12 **A. For purposes of this section:**13 "Affordable housing project" means a housing project determined by the locality in which it is located to  
14 be affordable housing and that is committed for a 30-year term to holding 60 percent of the units aside for  
15 qualifying tenants.16 "Qualifying taxpayer" means a taxpayer that, during the taxable year, owns a direct or indirect interest  
17 through one or more pass-through entities, in an affordable housing project.18 "Qualifying tenant" means a tenant with a Virginia adjusted gross income less than 120 percent of the  
19 area median income, adjusted for family size.20 **B. For taxable years beginning on and after January 1, 2026, but before January 1, 2031, a qualifying**  
21 **taxpayer shall be allowed to claim a nonrefundable credit against the tax levied pursuant to § 58.1-320 or**  
22 **58.1-400 in an amount equal to the product of (i) the portion of such taxpayer's ownership in an affordable**  
23 **housing project and (ii) the sum of 50 percent of the difference between the fair market value of each unit**  
24 **rented to a qualifying tenant and the rent actually charged to such tenant for the unit, computed for that**  
25 **portion of the taxable year in which the unit was rented to such tenant.**26 **C. The amount of the credit that may be claimed in any single taxable year shall not exceed the**  
27 **individual's liability for taxes imposed by this chapter for the taxable year. If the amount of the credit allowed**  
28 **under this section exceeds the individual's tax liability for the taxable year in which the credit is claimed, the**  
29 **amount that exceeds the tax liability may be carried over for credit against the income taxes of the individual**  
30 **in the next five taxable years or until the total amount of the tax credit has been taken, whichever is sooner.**  
31 **The aggregate amount of credits allowable under this section shall not exceed \$5 million per taxable year. In**  
32 **the event applications for the tax credit exceed the amount allocated by the Department, credits shall be**  
33 **allocated by the Department on a pro rata basis.**34 **D. Credits granted to a partnership, limited liability company, or electing small business corporation (S**  
35 **corporation) shall be allocated to the individual partners, members, or shareholders, respectively, in**  
36 **proportion to their ownership interests in such entities or in accordance with a written agreement entered**  
37 **into by such individual partners, members, or shareholders.**38 **E. The Tax Commissioner, in consultation with the Department of Housing and Community Development,**  
39 **shall develop guidelines for claiming the credit provided by this section. Such guidelines shall be exempt**  
40 **from the provisions of the Administrative Process Act (§ 2.2-4000 et seq.).**

INTRODUCED

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