

DEPARTMENT OF TAXATION

2026 Fiscal Impact Statement

1. **Patron** Joseph P. McNamara

3. **Committee** House Finance

4. **Title** Real property tax; classification of land and improvements.

2. **Bill Number** HB 10

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would reclassify improvements to real property in all localities as a separate class of property for local taxation. As a result of this reclassification, all localities would be authorized, after giving public notice and an opportunity for the public to be heard, to levy a tax on the improvements at a different rate than the tax imposed upon the land on which it is located, provided that the rate of tax on such improvements:

- Is not zero, and
- Does not exceed the rate of tax on the land on which it is located.

Under current law, in the Cities of Fairfax, Roanoke, Poquoson, and Richmond improvements to real property constitute a separate class of property for purposes of imposing the real property tax, and these localities may levy a tax on the improvements at a different rate than the tax imposed upon the land on which it is located.

If enacted during the regular session of the 2026 General Assembly, this bill would become effective July 1, 2026.

6. **Budget amendment necessary:** No

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

8. **Fiscal implications:**

Administrative Costs

This bill could have an unknown impact on administrative costs in all localities to the extent it chooses to exercise the authority granted in the bill.

This bill would have no impact on state administrative costs.

Revenue Impact

This bill could have an unknown impact on revenues in all localities to the extent it chooses to exercise the authority granted in the bill.

This bill would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: No

11. Other comments:

Background

Article X, § 1 of the Constitution of Virginia authorizes the General Assembly to define and classify taxable subjects. During the 2002 General Assembly session, the City of Fairfax was granted the authorization to reclassify improvements to real property located in the City of Fairfax as a separate class of real property, effective July 1, 2003. During the 2003 General Assembly session, the City of Roanoke was also granted this authorization, effective July 1, 2004. As a result of this reclassification, the governing bodies of these cities are authorized, after giving public notice and an opportunity for the public to be heard, to levy a tax on improvements to real estate at a different rate than that imposed on all other real property, provided that the rate of tax on improvements is not zero, and that the rate is equal to or lower than the rate of tax on the land on which the improvement is located.

In 2011 and 2020, the General Assembly gave authority to the Cities of Poquoson and Richmond, respectively, to reclassify improvements to real property located in those cities as a separate class of real property and to levy a tax on improvements at a different rate than the tax imposed upon the land on which it is located, provided that the rate of tax on the property is not zero.

Proposal

This bill would reclassify improvements to real property located in all localities as a separate class of real property. As a result of this reclassification, all localities would be authorized, after giving public notice and an opportunity for the public to be heard, to levy a tax on the improvements at a different rate than the tax imposed upon the land on which it is located, provided that the rate of tax on such improvements:

- Is not zero, and
- Does not exceed the rate of tax on the land on which it is located.

If enacted during the regular session of the 2026 General Assembly, this bill would become effective July 1, 2026.

Similar Legislation

House Bill 72 would allow the City of Fredericksburg to reclassify improvements to real property separately for real estate tax purposes and tax them at different rates, provided that the rate of tax on improvements (i) is not zero and (ii) does not exceed the rate of tax on the land on which it is located.

House Bill 261 would allow all Virginia localities to classify improvements to real property separately for real estate tax purposes and tax them at different rates, provided that the rate of tax on improvements (i) is not zero and (ii) does not exceed the rate of tax on the land on which it is located.

House Bill 282 would allow all Virginia localities to classify improvements to real property separately for real estate tax purposes and tax them at different rates, provided that the rate of tax on improvements (i) is not zero and (ii) does not exceed the rate of tax on the land on which it is located.

cc : Secretary of Finance

Date: 01/17/2026 AB
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