DEPARTMENT OF TAXATION
2026 Fiscal Impact Statement

1. **Patron** Joseph P. McNamara

2. **Bill Number** HB 68

   House of Origin:
   X Introduced
   _____ Substitute
   _____ Engrossed

   Second House:
   _____ In Committee
   _____ Substitute
   _____ Enrolled

3. **Committee** House Finance

4. **Title** Real Property Tax; Notice of rate and assessment changes, consideration of inflation

5. **Summary/Purpose:**

The bill would require all localities, when calculating whether assessments have increased enough to trigger a required tax rate reduction, to reduce the assessed value by the greater of: (i) the change in the U.S. Consumer Price Index (CPI-U) since the last assessment, or (ii) zero.

This bill would also require all localities, in situations where the tax rate to be applied to the new assessed value has not been established, to exclude any increase in value attributable to the CPI-U if the overall total assessed value of real property in the locality, would result in an increase in one percent or more in the total real property tax levied.

Under current law, whenever there is a reassessment or change in the assessed value of real estate, if the tax rate that will apply to the new assessed value has been established, then the notice must set out that rate, and in either case, must set out the tax rates for the immediately prior two tax years, the total amount of the new tax levy, the amounts of the total tax levies for the immediately prior two tax years, and the percentage changes in the new tax levy from those in the immediately prior two tax years. A locality may be required to lower the rate of tax where an assessment would result in greater than 101 percent of the previous year's real property tax being collected. Increases above this rate may only be imposed if the locality holds a public meeting.

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 result in administrative costs to localities associated with updating tax rate calculation procedures and notice templates to incorporate the CPI-U adjustment. It would have no impact on state administrative costs.

Revenue Impact

The bill could result in an unknown positive revenue impact on localities. It would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: No.

11. Other comments:

Effect on rate when assessment results in tax increase

Under current law, Virginia Code § 58.1-3321 requires that when any annual, biennial, or general assessment of real property by a county, city, or town would result in an increase of one percent or more in the total property tax levied, the locality must reduce its rate of levy for the forthcoming tax year so that the rate produces no more than 101 percent of the previous year's real property tax levies. A locality may avoid this required rate reduction by holding a public hearing, separate from the annual budget hearing, wherein it deems an increase above the 101 percent threshold is necessary.

The governing body of a county, city, or town may, after conducting a public hearing, increase the rate above the reduced rate required if any such increase is deemed to be necessary by such governing body.

Notice of any such public hearing must be given at least 7 days before the date of the hearing in (i) at least one newspaper of general circulation in such county or city and (ii) a prominent public location at which notices are regularly posted.

Notice of change in assessment

Virginia Code § 58.1-3330 requires that, in any county, city, or town that conducts an annual or biennial reassessment of real estate, or in which the reassessment is conducted primarily by employees of the locality under direction of the commissioner of the revenue, if the proposed real estate tax rate exceeds the "lowered tax rate" that would result in the locality collecting no greater than 101 percent of the previous year's real property taxes, the notice shall set out the effective tax rate increase.

Current law also requires that whenever there is a reassessment or change in the assessed value of real estate, a locality must provide notice by mail directly to each property owner whose assessment has been changed. Notice must be sent by postpaid mail at least 15 days prior to the date of the hearing to protest the change in assessment. The notice must show the magisterial or other district, if any, in which the real estate is located, and the new and immediately prior two assessed values of land and improvements.

For changes in assessment that do not arise solely from the construction or addition of new improvements to real estate, if the tax rate that will apply to the new assessed value has been established, the notice must set out that rate. In either case, the notice must set out the tax rates for the immediately prior two tax years, the total amount of the new tax levy, the amounts of the total tax levies for the immediately prior two tax years, and the percentage changes in the new tax levy from those in the immediately prior two tax years. If the tax rate for the new assessed value has not been established, the notice must identify the time and place of the next local governing body meeting for public testimony on the real estate tax rate changes. Where changes in the local real property tax assessment are due to the construction or addition of new improvements to the property, the notice of change in assessment for the property need not set out this information.

Proposal

The bill would require all localities, when calculating whether assessments have increased enough to trigger a required tax rate reduction, to reduce the assessed value by the greater of: (i) the change in the U.S. Consumer Price Index (CPI-U) since the last assessment, or (ii) zero.

This bill would also require all localities, in situations where the tax rate to be applied to the new assessed value has not been established, to exclude any increase in value attributable to the CPI-U if the overall total assessed value of real property in the locality, would result in an increase in one percent or more in the total real property tax levied.

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

cc : Secretary of Finance

Date: 01/18/2026 KS
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