

DEPARTMENT OF TAXATION

2026 Fiscal Impact Statement

1. **Patron** Ellen H. McLaughlin

3. **Committee** House Finance

4. **Title** Real Property Tax; Partial Exemption for Certain Commercial and Industrial Structures

2. **Bill Number** HB 345

House of Origin:

Introduced

Substitute

Engrossed

Second House:

In Committee

Substitute

Enrolled

5. **Summary/Purpose:**

This bill would prohibit localities from granting a partial real property tax exemption for the demolition or replacement of an existing structure that is a registered Virginia landmark or is determined by the Department of Historic Resources to contribute to the significance of a registered historic district.

Under current law, localities may not apply a partial real property tax exemption to the demolition or replacement of an existing structure if that structure is a registered Virginia landmark or contributes to the significance of a registered historic landmark.

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 may have an unknown impact on local administrative costs. This bill would have no impact on state administrative costs.

Revenue Impact

Localities may experience an unknown revenue impact from this 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:

Partial Property Tax Exemption for Rehabilitated Structures

Under current law, localities are authorized to partially exempt from real estate taxation certain residential, commercial, or industrial structures that have undergone substantial rehabilitation, renovation, or replacement. The structures must be at least 20 years old, or at least 15 years old if located within an enterprise zone designated by the Commonwealth. Localities may also impose additional eligibility requirements by ordinance.

The partial exemption may not exceed the increase in value resulting from the rehabilitation or renovation or 50 percent of the cost of the rehabilitation or renovation as determined by local ordinance. The exemption may commence upon completion of or on January 1 of the year following the rehabilitation, renovation or replacement. The exemption shall run with the real estate for a period of no longer than 15 years, but the locality may place a shorter time limitation on the length of such exemption or reduce the amount of the exemption in annual steps over the entire period or a portion thereof, in such manner as local ordinance may prescribe.

The locality may assess a fee not to exceed \$125 for residential properties, or \$250 for commercial, industrial, and/or apartment properties of six units or more for processing an application requesting this exemption. Where rehabilitation is achieved through demolition and replacement of an existing structure, the exemption shall not apply when any structure demolished is a registered Virginia landmark or is determined by the Department of Historic Resources to contribute to the significance of a registered historic landmark.

Under current law, a “historic landmark” is a building, structure, site, object, or district that has been formally designated by the Virginia Board of Historic Resources and listed in the Virginia Landmarks Register under Title 10.1 of the Virginia Code.

Virginia Code § 10.1-2206.1 E defines “historic district” as a geographically definable area that contains a significant concentration of historic buildings, structures, or sites having a common historical, architectural, archaeological, or cultural heritage, and which may contain local tax parcels having separate owners.

Proposal

This bill would prohibit localities from granting a partial real property tax exemption for the demolition or replacement of an existing structure that is a registered Virginia landmark or is determined by the Department of Historic Resources to contribute to the significance of a registered historic district.

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

cc : Secretary of Finance

Date: 01/19/2026 KS
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