DEPARTMENT OF TAXATION
2026 Fiscal Impact Statement

1. **Patron** Eric Phillips

2. **Bill Number** HB 1051
House of Origin:
X Introduced
_____ Substitute
_____ Engrossed

Second House:
_____ In Committee
_____ Substitute
_____ Enrolled

3. **Committee** House Finance

4. **Title** Income tax; real property tax relief credit

5. **Summary/Purpose:**

This bill would establish a refundable individual income tax credit for the lesser of $500 for single filers and $1,000 for joint filers, or the actual amount of real property taxes paid during the taxable year. To be eligible for this credit taxpayers must have federal adjusted gross income ("FAGI") of no more than $75,000 for single filers and $100,000 for joint filers and incur real property taxes equal to at least 4 percent of their FAGI.

This bill would be effective for taxable years beginning January 1, 2026, but before January 1, 2031.

6. **Budget amendment necessary:** Yes.
Item(s): 261 and 263 Department of Taxation

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)
7a. Expenditure Impact:

Fiscal Year	***Dollars***	***Positions***	***Fund***
2026-27	$273,696	1	GF
2027-28	$155,210	2	GF
2028-29	$154,068	2	GF
2029-30	$155,658	2	GF
2030-31	$157,279	2	GF
2031-32	$89,132	1	GF

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department") would incur estimated expenditures as shown above. Such costs would primarily consist of updating the Department's systems and forms to implement the credit and two new full-time employees to administer it.

Because of the implementation and release schedule for the Integrated Revenue Management System ("IRMS") replacement project, this legislation will not be impacted by such project if enacted during the 2026 Regular Session of the General Assembly. For more information on the new system implementation releases, see the 2025 Status Report on the Replacement of the Integrated Revenue Management System (IRMS).

Revenue Impact

This bill would have an unknown negative General Fund revenue impact in Fiscal Years 2027 through 2032. The Department cannot reliably estimate the number of taxpayers who would qualify for the credit each year. While the Department has data for real property taxes reported by Virginia itemizers on Virginia Schedule A as part of the state and local taxes ("SALT") deduction, most taxpayers expected to be eligible under this bill are standard deductors. The Department does not collect real property tax amounts for standard deductors or for all filers in a way that would permit an accurate estimate. Accordingly, the revenue impact is unknown.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: Yes.

Given the placement of this amendment to the Code of Virginia in Chapter 3 of Title 58.1, the Department understands that the intent is to provide a credit against the individual income tax for real property taxes paid. If that is correct, the following technical amendment is suggested:

Line 20 after "the tax levied pursuant to"
Strike: "Chapter 32 (§ 58.1-3200 et seq.)"
Insert: "§ 58.1-320"

11. Other comments:

Virginia's Real Property Tax Relief Framework

Virginia's real property tax relief system is grounded in Article X of the Virginia Constitution and largely implemented at the local level. Under this framework, cities and counties may, by local ordinance, provide exemptions, deferrals, or partial relief from real property taxes, consistent with the Commonwealth's long-standing tradition of local fiscal autonomy. This authority is set forth primarily in Title 58.1, Chapter 32 of the Code of Virginia. As a general matter, Virginia law relies much more heavily on the exemption model at the local level and makes only limited use of credits tied to property taxes. An exemption removes all or part of a qualifying property from the local tax base so that no tax (or a reduced amount of tax) is assessed. By contrast, a tax credit leaves the assessment unchanged and instead reduces the amount of tax owed, typically through a claim on a tax return.

Historically, constitutional amendments in the 1970s first allowed localities to provide tax relief to elderly homeowners, later relief was extended to permanently and totally disabled persons through income- and net-worth-based exemption or deferral programs for a principal residence. Since 2010, further amendments have granted more flexibility in eligibility criteria and established mandatory statewide exemptions for the principal residence of veterans with 100 percent permanent, service-connected disabilities and their surviving spouses, as well as for the principal residence of surviving spouses of armed forces members who died in the line of duty. In addition, the Code of Virginia authorizes a number of optional local programs that function as exemptions, abatements, deferrals, or credit-like relief for various property types, including rehabilitated property. Property tax exemptions also broadly apply to government and public property; religious, charitable, educational, historical and cultural organizations; certain non-profits; pollution control facilities; and agricultural, forest, and open-space land assessed based on its use rather than the market value.

Real Property Tax Relief in Neighboring States

Maryland

Maryland provides several real property tax relief programs for homeowners, primarily the Homeowners' Property Tax Credit, which is income-based, and the Homestead Tax Credit, which limits annual increases in assessed value. Eligibility generally requires application by the homeowner and the property serves as the owner's principal residence. These programs are primarily designed to benefit seniors, individuals with disabilities, and veterans.

Washington D.C.

Washington D.C. also offers various real property tax relief programs, including the Homestead Deduction for principal residences, a 50 percent tax reduction for qualifying seniors and individuals with disabilities, and assessment caps that limit annual increases in taxable value. Low- and moderate- income homeowners and renters may qualify for a circuit breaker credit, and additional targeted relief is available for disabled veterans, low-income seniors (through tax deferral), certain condominium and cooperative owners, and eligible first-time homebuyers.

North Carolina

North Carolina provides real property tax relief for qualifying homeowners on their permanent residence, including a homestead exclusion for elderly or disabled individuals, a $45,000 exclusion for 100 percent disabled veterans or their surviving spouses, and a circuit breaker program that defers taxes exceeding a percentage of income, all administered by localities under state law.

Proposal

This bill would establish a refundable individual income tax credit for the lesser of $500 for single filers and $1,000 for joint filers, or the actual amount of real property taxes paid during the taxable year. To be eligible for this credit taxpayers must have FAGI of no more than $75,000 for single filers and $100,000 for joint filers and incur real property taxes equal to at least 4 percent of their FAGI.

This bill would be effective for taxable years beginning January 1, 2026, but before January 1, 2031.

Similar Bills

HB 697 would create a nonrefundable, $5 million-capped income tax credit for real property taxes paid by certain surviving spouses of disabled veterans whose deaths occurred before January 1, 2011.

cc : Secretary of Finance

Date: 02/01/2026 SJH
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