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SENATE BILL NO. 674

Offered January 14, 2026

A BILL to amend the Code of Virginia by adding in Article 3 of Chapter 3 of Title 58.1 a section numbered 58.1-339.15, relating to individual income tax; first-time homebuyer tax credit.

Patron—Rouse

Referred to Committee on Finance and Appropriations

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Article 3 of Chapter 3 of Title 58.1 a section numbered 58.1-339.15 as follows:

§ 58.1-339.15. First-time homebuyer tax credit.

A. As used in this section:

"First-time homebuyer" means an individual or married individuals filing jointly (i) who have had no ownership interest in a principal residence during the preceding three-year period ending on the date of purchase of the residential real property detailed on the purchase agreement and (ii) who have an annual household income in the most recent taxable year that does not exceed the greater of (a) \$100,000 or (b) the median annual household income for the locality in which such residential real property is situated according to the most recent data available from the U.S. Census Bureau.

"First-time homebuyer expenses" means costs incurred by a first-time homebuyer in the purchase of direct ownership in residential real property in an amount equal to the purchase price value of such property detailed on the purchase agreement.

B. For taxable years beginning on and after January 1, 2026, but before January 1, 2031, a first-time homebuyer shall be allowed a one-time nonrefundable credit against the tax levied pursuant to § 58.1-320 in an amount equal to five percent of first-time homebuyer expenses incurred during the taxable year, not to exceed \$10,000. The aggregate amount of credits allowable under this section shall not exceed \$10 million per taxable year. Credits shall be allocated by the Department on a first-come, first-served basis.

C. The amount of the credit that may be claimed in any single taxable year shall not exceed the taxpayer's liability for taxes imposed by this chapter for that taxable year. If the amount of the credit allowed under this section exceeds the taxpayer's tax liability for the taxable year in which the first-time homebuyer expenses were incurred, the amount that exceeds the tax liability may be carried over for credit against the income taxes of the taxpayer in the next five taxable years or until the total amount of the tax credit has been taken, whichever is sooner.

D. Any credit amount claimed pursuant to this section shall be repaid to the Commonwealth in the event that the residential real property for which first-time homebuyer expenses were incurred and such credit was claimed is sold within three years from the purchase date of such property. Repayment pursuant to this subsection shall not be required if such sale was made following a natural disaster or other act of God that made such residential real property uninhabitable.

E. The Tax Commissioner shall develop guidelines for claiming the credit and for any repayment requirements provided by this section. Such guidelines shall be exempt from the provisions of the Administrative Process Act (§ 2.2-4000 et seq.).

INTRODUCED

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