

26102758D

HOUSE BILL NO. 946

Offered January 14, 2026

A BILL to amend the Code of Virginia by adding in Article 13 of Chapter 3 of Title 58.1 a section numbered 58.1-439.12:13, relating to income tax credit; affordable rental housing tax credit.

Patron—Franklin, L.V.

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Article 13 of Chapter 3 of Title 58.1 a section numbered 58.1-439.12:13 as follows:

§ 58.1-439.12:13. Affordable rental housing tax credit.

A. For the purposes of this section:

"Affordable dwelling unit" means an individual housing unit in an apartment building, an individual housing unit in multifamily residential housing, a single-family residence, or any similar individual housing unit that has been certified as an affordable dwelling unit by the Department of Housing and Community Development.

"Eligible landlord" means (i) an individual, (ii) a limited liability company that was organized pursuant to Virginia law and has 10 or fewer employees, or (iii) a nonprofit organization exempt from taxation under § 501(c)(3) of the Internal Revenue Code, engaged in the business of the rental of dwelling units that are subject to the Virginia Residential Landlord and Tenant Act (§ 55.1-1200 et seq.). "Eligible landlord" does not mean any partnership, corporation, or real estate investment trust that manages funds pooled from investors, is a fiduciary to such investors, has net value or assets under management on any day during a taxable year, and holds an interest in more than 50 single-family homes.

B. For taxable years beginning on and after January 1, 2026, but before January 1, 2031, an eligible landlord shall be allowed a nonrefundable credit against the tax levied pursuant to § 58.1-320 or 58.1-400 in an amount equal to \$750 per affordable dwelling unit rented by such eligible landlord. The total amount of tax credits available under this section to an eligible landlord shall not exceed \$15,000 for a taxable year. The aggregate amount of credits allowable under this section shall not exceed \$5 million per taxable year. Credits shall be allocated by the Department on a first-come, first-served basis.

C. The Department of Housing and Community Development shall develop guidelines for the certification of affordable dwelling units. Such guidelines shall include a process to certify that (i) the monthly rent of such units does not exceed 30 percent of the area median income for the locality in which such units are located and (ii) such units meet all applicable safety and habitability standards as required by the Virginia Residential Landlord and Tenant Act (§ 55.1-1200 et seq.). Eligible landlords shall apply to the Department of Housing and Community Development for affordable dwelling unit certification. The Department of Housing and Community Development shall certify the number of affordable dwelling units rented by the eligible landlord for the taxable year and provide a written certification that includes the number of affordable dwelling units rented by the eligible landlord to such landlord. The eligible landlord shall attach the certification to the applicable income tax return.

D. 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 eligible transaction occurred, 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.

E. Credits granted to a partnership, limited liability company, or electing small business corporation (S corporation) shall be allocated to the individual partners, members, or shareholders, respectively, in proportion to their ownership or interest in such business entities.

F. The Tax Commissioner shall develop guidelines implementing the provisions of this section. Such guidelines shall be exempt from the provisions of the Administrative Process Act (§ 2.2-4000 et seq.).

INTRODUCED

HB946