

Section 7

Property Tax Exemptions for Certain Rehabilitated Real Estate and Other Exemptions, 2001

The *Code of Virginia* provides that localities may adopt an ordinance allowing property tax exemption for certain rehabilitated commercial and industrial real estate (§58.1-3221) and residential real estate (§§58.1-3220 and 58.1-3220.1). To be eligible for the exemption, the rehabilitated structure must be at least 15 years old if it is residential property, and 20 years old if it is commercial or industrial property, and must meet other restrictions that the locality may require. Real estate upon which a hotel or motel, no less than 35 years of age, has been substantially renovated may also qualify for a partial exemption. The ordinance, in addition to any other restrictions, may restrict exemptions to real property located within described districts whose boundaries shall be determined by the governing body. Further, exemptions do not apply to residential real estate if a structure that has been rehabilitated through demolition and replacement is a registered Virginia Landmark or is determined by the Department of Conservation and Recreation to contribute to the significance of a registered historic district (§58.1-3220).

A locality may impose a fee for applications for real property tax

exemptions and credits for rehabilitated structures. Effective in 2001, code sections 58.1-3220, 58.1-3220.1, and 58.1-3221 were amended to incorporate a fee of not more than \$125 for residential properties, and not more than \$250 for commercial, industrial, and/or apartment properties of six units or more.

In order to qualify for the partial exemption, multifamily residential units substantially rehabilitated by replacement for multifamily use may not exceed the total square footage of the old by more than 30 percent. The replacement for commercial and industrial use may exceed the total square footage of the replaced structure by no more than 100 percent and by no more than 110 percent in designated enterprise zones.

The partial exemption from property taxation may be an amount equal to a percentage of the increase in assessed value resulting from the renovation or to an amount up to 50 percent of the cost of the renovation. The commissioner of the revenue or another local assessing officer determines the assessed value of the structure. The exemption begins on January 1 of the year following

completion of the rehabilitation, with maximum time duration for the exemption of ten years for residential real estate, and fifteen years for commercial and industrial real estate. Localities may opt to shorten the time span, to reduce the amount of exemption in annual steps over the entire period or a portion of the time limitation, or both.

Table 7.1 contains information about the 29 cities, 13 counties, and 8 responding towns that have adopted a rehabilitation ordinance. The table also includes the minimum age requirement, the exemption schedule, and the percentage increase in assessed value required for exemption.

Any county, city, or town may grant exemption or partial exemption from local taxation on certified pollution control equipment and facilities. Section 58.1-3660 lists the requirements to qualify for this exemption as the following: any property, including real or personal property, equipment, facilities, or devices used primarily to reduce or prevent pollution of the atmosphere and waters of the Commonwealth.

A similar exemption or partial exemption is authorized by §58.1-3661 for certified solar energy equipment, facilities, or devices. These certified items are defined as any property, including

real and personal property, equipment, facilities, or devices which collect or use solar energy for water heating, space heating or cooling, or other application which would otherwise require a conventional source of energy, such as petroleum products, natural gas, or electricity.

Generating equipment installed after December 31, 1974, for the purpose of converting from oil or natural gas to coal or to wood, wood bark, wood residue, or to any other alternate energy source for manufacturing, and any cogenerating equipment installed since that date to be used in manufacturing, are classified separately for property taxation. According to §58.1-3662, localities may adopt an ordinance authorizing exemption or partial exemption for generating and cogenerating equipment used for energy conversion. The ordinance becomes effective on January 1 of the year following the year of adoption.

The three exemptions applying to property used for pollution control, solar energy, and energy conservation are summarized in **Table 7.2**. There are 19 cities, 29 counties, and 5 responding towns that report having at least one of the three previously mentioned exemptions.



Table 7.1
Property Tax Exemptions for Certain Rehabilitated Real Estate, 2001

Locality	Minimum Age of Structure (In Years)		Exemption Schedule (In Years)		Percentage Increase Required in Assessed Value/Square footage			
	R	C/I	R	C/I	R	C/I		
Cities	Note: All cities responded to the survey. Those that answered "not applicable" for all items in this table are excluded.							
Bedford	N/A	25	N/A	3		N/A	60/N/A	
Bristol	25	25	7	1st-5th	100 %	40/15	60/N/A	
				6th	80%			
				7th	60%			
				8th	40%			
				9th	20%			
				10th	terminates			
Buena Vista ^a	I: 50	C/I:25 50-75	I: 5 II: 10	10		40/ N/A	60/ N/A	
Charlottesville	25	N/A	7	N/A		20	N/A	
Chesapeake	15 ^b	N/A	5	5		0/30 (multi-family only)	0/110	
Colonial Heights	25	N/A	10	N/A		25/< 100	N/A	
Danville ^c	54	54	N/A	N/A		25/15 max.	25/15 max.	
Emporia	N/A	25	N/A	5		N/A	50/25	
Fairfax	15	20	1st-5th	100%	See below ^d	15/ N/A	30/0 ^e	
			6th	83%				
			7th	67%				
			8th	50%				
			9th	33%				
			10th	17%				
Fredericksburg ^f	40	25	1st	100%	1st	100%	40	N/A
			2nd	83%	2nd	83%		

Note: Unless stated otherwise, exemption is equal to 100 percent of increase in *assessed* value resulting from rehabilitation. Additionally, for all localities listed, allowable percentage increase in *total square footage* for residential real estate is 15 percent; for commercial/industrial real estate, existing footage restrictions follow slash mark.

Key to real estate abbreviations: R: Residential C/I: Commercial and Industrial N/A Not applicable

... No response

^a City of Buena Vista has two classes of real estate; Class I- includes structures aged 50-75 years; Class II- all structures over 75 years old.

^b Applies to South Norfolk section only—census tracts 201, 202, 203, 204.

^c Structure must have been constructed prior to January 1, 1945.

^d Retail Structures (75 percent of street level area must be used for retail purposes): 1st- 5th= 100 percent, 6th= 83 percent, 7th= 67 percent, 8th= 50 percent, 9th= 38 percent, 10th= 17 percent; Not retail Structures; 1st- 5th= 50 percent, 6th= 42 percent, 7th= 34 percent, 8th= 25 percent, 9th= 17 percent, 10th= 9 percent.

^e No requirement for new area. Original building size must not be reduced by greater than 75 percent.

^f Fredericksburg has 15 percent increase limitation, not 15 percent increase requirement.

Table 7.1 (continued)

Locality	Minimum Age of Structure (In Years)		Exemption Schedule (In Years)				Percentage Increase Required in Assessed Value/Square Footage	
	R	C/I	R		C/I		R	C/I
Cities (continued)								
Galax	40	40	5		5		40/15	60/15
Hampton	25	25	Effective 2/1/01		Effective 2/1/01		40/15	60/0
			1st-3rd	100%	1st-3rd	100%		
			3rd-6th	50%	3rd-6th	50%		
Harrisonburg	25	25	5		5		N/A/0	N/A/0
Lexington	N/A	25	N/A		Non-Historic		N/A	40/10
					1-4th	75	100	
					5th	60	80	
					6th	45	60	
					7th	30	40	
					8th	15	20	
Lynchburg	25	25	N/A		N/A		> 40/ > 15	> 60/> 15
Manassas	60	40	5		5		50/ N/A	60/ N/A
Manassas Park	25	N/A	1st-5th	100%	N/A		20/N/A	N/A
			6th-8th	50%				
			9th-10th	25%				
Newport News	25	25	15 ^g		5 ^g		20/30 max.	60/15 max.
Norfolk	15	N/A	1st-5th	100%	N/A		10/0	N/A
			6th	80%				
Norton	25	25	10		10		40/ N/A	60/ N/A
Petersburg	50	50	5 ^h		5 ^h		40/N/A	60/15
Portsmouth ⁱ	I: 40; II: 25	I: 40	5, 10		5, 10		40/ N/A	60/ N/A
			10		10		60/N/A	60/N/A
Radford	30	30	8		10		40/15 max.	60/ N/A
Richmond	15	20	5		15		20/30 max.	40/100 max.
Roanoke	25	25	5 ^{j, k}		5 ^{j, k}		40/+15	60+ /+15

Note: Unless stated otherwise, exemption is equal to 100 percent of increase in *assessed value* resulting from rehabilitation.

Additionally, for all localities listed, allowable percentage increase in *total square footage* for residential real estate is 15 percent; for commercial/industrial real estate, existing footage restrictions follow slash mark.

Key to real estate abbreviations: R: Residential C/I: Commercial and Industrial

N/A Not applicable.

^g Ordinance includes only single family residential/commercial real estate.

^h Limited to first \$500,000 of increased value.

ⁱ Class I: all real estate in city except in enterprise zone; Class II: all real estate in enterprise zone.

^j For a structure with historic building designation, the exemption schedule is ten years.

^k Ordinance includes only single family residential/commercial real estate.

Table 7.1 (continued)

Locality	Minimum Age of Structure (In Years)		Exemption Schedule (In Years)				Percentage Increase Required in Assessed Value/Square Footage	
	R	C/I	R	C/I		R	C/I	
Cities (continued)								
Staunton ¹	25	25	7	7		> 40/15 max	60/0	
Suffolk	25	25	10	10		40/15 max	60/...	
Virginia Beach	75	N/A	5	N/A		40 min/ 15 max	N/A	
Winchester	25	25	100% of increase in value for 10 yrs	100% of increase in value for 10 years		40/15 max	60/15 max	
Counties								
Note: All counties responded to the survey. Those that answered "not applicable" for all items in this table are excluded.								
Arlington	25	N/A	10	N/A		20/N/A	20/N/A	
Chesterfield	50	50	10	10		25/N/A	25/N/A	
Clarke	25	25	100% -1st \$500,000	100% -1st \$500,000		40/ N/A	40/ N/A	
Culpeper	50	N/A	10	10		N/A	N/A	
Fairfax	25	25	N/A	N/A		N/A	N/A	
			25% residential, 40% multi-family	N/A		20/30	40/100	
Hanover	25 ^m	25 ^m	1st-5th	100%	1st – 5th	100%	30/ N/A	30/ N/A
			6th	83%	6th	83%		
			7th	67%	7th	67%		
			8th	50%	8th	50%		
			9th	33%	9th	33%		
			10th	17%	10th	17%		
Henrico	30	N/A	N/A	N/A		100/30	N/A	
Isle of Wight	30	30	N/A	N/A		25/15	25/15	
Lancaster	50	25	5	10		50/ N/A	40/ N/A	
Loudoun	25	N/A	10	N/A		40/15 max	N/A	

Note: Unless stated otherwise, exemption is equal to 100 percent of increase in assessed value resulting from rehabilitation. Additionally, for all localities listed, allowable percentage increase in total square footage for residential real estate is 15 percent; for commercial/industrial real estate, existing footage restrictions follow slash mark.

Key to real estate abbreviations: R: Residential C/I: Commercial and Industrial

N/A Not applicable

¹ Ordinance does not allow total square footage of C/I property to be increased.

^m Structure must be in historic district

Table 7.1 (continued)

Locality	Minimum Age of Structure (In Years)		Exemption Schedule (In Years)				Percentage Increase Required in Assessed Value/Square Footage	
	R	C/I	R		C/I		R	C/I
Counties (continued)								
Prince William	15	20	1st-10th	100%	1st-10th	100%	25/30 max	25/100 max
			11th	80%	11th	80%		
			12th	60%	12th	60%		
			13th	40%	13th	40%		
			14th	20%	14th	20%		
Spotsylvania	N/A	40	N/A		N/A		N/A	60/ N/A
Stafford	40 ⁿ	40 ⁿ	7		7		40/ N/A	60/ N/A
Towns								
	Towns that answered “not applicable” for all items in this table are excluded. For a listing of town respondents and non-respondents, see Appendix B.							
Ashland	25	25 & 35 for hotels & motels	N/A		10		30/N/A	30/N/A
Berryville	25	25	10 ^o		10 ^p		40 ^q / N/A	40 ^q / N/A
Blacksburg	20	20	1		N/A		\$5,000/15	\$5,000/15
Clinchco	60	N/A		N/A	N/A
Kilmarnock	N/A	N/A	N/A		N/A		N/A	\$950,000/ N/A
Luray	15	15		40/15	40/15
Orange ^f	15	20 ^s	10		10		N/A	N/A
Vienna	N/A	25	1st-10th	100%	N/A		25/N/A	40/N/A
			11th	80%				
			12th	60%				
			13th	40%				
			14th	20%				
			15th	0				

ⁿ Structure must be deemed historic.

^o 100 percent of increase in assessed value, exempted for 10 years; increase cannot be result of increase in square footage or additions.

^p 100 percent of increase in assessed value exempted for 10 years; \$500,000 maximum exemptions.

^q Due only to rehabilitation of structure with out enlargements or additions.

^r Real estate which has been substantially rehabilitated, renovated or replaced is partially exempt for 10 years (following completion) from real estate taxation. To be considered “substantial,” cost of rehabilitation, renovation, or replacement must be no less than 30 percent of assessed structure value before changes. If structure is demolished/replaced, the following restrictions apply: (1) replacement of multi-family (with 5 or more units) may not exceed the total square footage of replaced structure by more than 30 percent and (2) replacement of commercial/industrial structures may not exceed total square footage of replaced structures by more than 110 percent in enterprise zone or 100 percent in other areas.

^s Hotels/motels must be no less than 35 years old.

Table 7.2
Property Tax Exemptions for Pollution Control, Solar Energy, and Energy Conservation Equipment, 2001

Locality	Pollution Control Equipment and Facilities	Solar Energy Equipment and Facilities	Generating Equipment for Energy Conservation
Cities	Note: All cities responded to the survey. Those that answered "no" for all three items are excluded.		
Alexandria	No	Yes	No
Bedford	Yes	No	No
Charlottesville	No	Yes	No
Danville	Yes	No	No
Falls Church	No	Yes	No
Hampton	No	Yes	No
Hopewell	Yes	No	No
Lynchburg	Yes	Yes	No
Manassas	Yes	No	No
Newport News	Yes	No	No
Norfolk	Yes	No	No
Petersburg	Yes	No	No
Portsmouth	Yes	No	No
Radford	Yes	No	No
Richmond	Yes	No	No
Roanoke	Yes	Yes	No
Salem	Yes	No	No
Waynesboro	Yes	No	No
Winchester	Yes	No	No
Counties	Note: All counties responded to the survey. Those that answered "no" for all three items are excluded.		
Albemarle	No	Yes	No
Alleghany	Yes	No	No
Amherst	Yes	No	No
Bedford	Yes	No	No
Campbell	Yes	No	No
Chesterfield	Yes	Yes	No
Cumberland	Yes	No	No
Dinwiddie	Yes	No	No
Fairfax	No	Yes	No
Franklin	Yes	No	No

Table 7.2 (continued)

Locality	Pollution Control Equipment and Facilities	Solar Energy Equipment and Facilities	Generating Equipment for Energy Conservation
Counties (continued)			
Frederick	Yes	No	No
Giles	Yes	No	No
Grayson	Yes	No	No
Halifax	Yes	No	No
Hanover	No	Yes	No
Henrico	Yes	Yes	Yes
Isle of Wight	Yes	Yes	No
King & Queen	No	Yes	No
King William	Yes	No	No
Loudoun	No	Yes	No
Montgomery	Yes	No	No
Orange	Yes	No	No
Prince William	No	Yes	No
Pulaski	Yes	Yes	Yes
Shenandoah	Yes	No	No
Spotsylvania	Yes	Yes	No
Warren	Yes	Yes	Yes
Wise	No	Yes	No
York	Yes	No	No
Towns	Note: Towns that answered "no" or "not applicable" for all three items are excluded. For a listing of town respondents and non-respondents, see Appendix B.		
Dublin	Yes	No	No
Front Royal	Yes	No	No
Richlands	Yes	Yes	Yes
Tazewell	Yes	No	No
Wytheville	Yes	No	No