

Section 6

Property Tax Exemptions for Certain Rehabilitated Real Estate and Other Exemptions, 2003

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, that 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 are 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, §§ 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 6 units or more.

In order to qualify for the partial exemption, multifamily residential units substantially rehabilitated by replacement for multifamily use cannot 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 exemption periods of 10 years for residential real estate and 15 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 6.1 contains information about the 32 cities, 14 counties, and 7 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. In 2003, the definition for pollution control equipment was expanded to include any equipment used to grind, chip, or mulch trees or other vegetation for reuse as mulch, compost or fuel. Such property may be exempted from local taxation.

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 applications 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 four exemptions applying to property used for pollution control, recycling, solar energy, and energy conservation are summarized in **Table 6.2**. There are 19 cities, 29 counties, and 4 responding towns that report having at least one of the previously mentioned exemptions.



**Table 6.1
Property Tax Exemptions for Certain Rehabilitated Real Estate, 2003**

Locality	Minimum Age of Structure (Years)		Exemption Schedule				Percentage Increase Required in Assessed Value/Square Footage	
	R	C/I	R		C/I		R	C/I
			Years	Exempt (%)	Years	Exempt (%)		
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	N/A
Chesapeake	15 ^b	N/A 15 in EZ	15		15		0/30	0/110
							(multi-family only)	
Colonial Heights	25	25	10		10		25/<100	>40/100
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%				
Falls Church	N/A	20	N/A		N/A		N/A	50/<100
Franklin	30	25	7		7		40/15	60/25
Fredericksburg	25	25	1st	100%	1st	100%	40/15	N/A
			2nd	83%	2nd	83%	max.	
			3rd	66%	3rd	66%		
			4th	49%	4th	49%		
			5th	32%	5th	32%		
			6th	15%	6th	15%		
Galax	40	40	5		5		40/15	60/15
Hampton	25	25	1st-3rd	100%	1st-3rd	100%	40/15	60/25
			3rd-6th	50%	3rd-6th	50%		
Harrisonburg	25	25	5		5		N/A	N/A
Lexington	N/A	25	N/A			Non-Historic	N/A	40/<10
					1-4th	75%		
					5th	60%		
					6th	45%		
					7th	30%		
					8th	15%		
Lynchburg	50	25	10		5		>40/<15	>60/<15
Manassas	30	30	10		10		30/N/A	30/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.

See page 52 for key to real estate abbreviations.

N/A Not applicable.

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

Table 6.1 Property Tax Exemptions for Certain Rehabilitated Real Estate, 2003 (continued)

Locality	Minimum Age of Structure (Years)		Exemption Schedule				Percentage Increase Required in Assessed Value/Square Footage	
	R	C/I	R		C/I		R	C/I
			Years	Exempt (%)	Years	Exempt (%)		
Cities (continued)								
Manassas Park	25	N/A	1st-5th 6th-8th 9th-10th	100% 50% 25%	N/A		20/N/A	N/A
Newport News	25	25	15		5		20/N/A	60/15 max.
Norfolk	15	N/A	1st-10th 11th 12th 13th 14th 15th	100% 80% 60% 40% 20% 0%	In EZ 1st-14th Outside EZ 1st-10th 11th 12th 13th 14th 15th	100% 100% 80% 60% 40% 20% 0%	20/0	N/A
Norton	25	25	10		10		40/<15	60/<15
Petersburg	50	50	5 ^f		5 ^f		40/N/A	60/15
Portsmouth ^g	I:40; II:25	I:40	5, 10 10		5, 10 10		40/N/A 60/N/A	60/N/A 60/N/A
Radford	30	30	8		10		40/<15	60/N/A
Richmond	15	20 15 in EZ	5		15		20/0	40/0
Roanoke	25	25 15 in EZ	5 ^{h,i}		5 ^{h,i}		40/15	60/15
Staunton ^j	25	25	7		7		>40/<15	60/0
Suffolk	25	25	10		10		40/<15	60/N/A
Virginia Beach	50	50	5		5		20/N/A	25/0
Waynesboro	N/A	25	N/A		7		N/A	60/<15
Winchester	25	25	100% of increase in value for 10 years		100% of increase in value for 10 years		40/<15	60/<15
Counties (Note: All counties responded to the survey. Those that answered "not applicable" for all items in this table are excluded.)								
Arlington	25	20 in EZ	10 (multi-family units)		N/A		20/N/A	20/N/A
Chesterfield	25 ^k	25 ^k	Increased assessment for 8 years; 10 for historic homes		Increased assessment for 5 years; 10 for historic units		10/<30 or 25/<30	15/100 or 25/110
Clarke	50	50	10		10		40/ <15	40/ N/A
Culpeper	50	50	5	100%	Increased assessment for 5 years		N/A	N/A
Fairfax	25	25	Residential 25% Multi-family 40%		1-10th 11th 12th 13th 14th 15th	100% 80% 60% 40% 20% 0%	20/ 1000 to 3000 sq. ft.	25/100

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.

See page 52 for key to real estate abbreviations.

N/A Not applicable.

... No response provided.

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

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

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

ⁱ Ordinance includes only single family residential/commercial real estate.

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

^k Minimum age is only 15 years within enterprise zones. It is 50 for historic homes.

Table 6.1 Property Tax Exemptions for Certain Rehabilitated Real Estate, 2003 (continued)

Locality	Minimum Age of Structure (Years)		Exemption Schedule				Percentage Increase Required in Assessed Value/Square Footage	
	R	C/I	R		C/I		R	C/I
			Years	Exempt (%)	Years	Exempt (%)		
Hanover	25 ^l	25 ^l	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	26	26	7 (multi-family units)		7		>50/<100	>50/<100
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	15-20	N/A	15		N/A		5-15/<15	>15/<30
Northampton	20 ^m	20 ^m	10		10		60/N/A	60/N/A
Prince William	15	20	1st-10th	100%	1st-10th	100%	25/<30	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 (Note: 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 ^o		40 ^o / N/A	40 ^o / N/A
Blacksburg	20	20	1		N/A		\$5,000/15	\$5,000/ 15
Broadway	25	25	10		10		60/<15	40/<15
Orange ^f	15	20 ^s	10		10		30/N/A	N/A
Shenandoah	15	20	10		10		N/A/N/A	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%				

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: C/I: Commercial and Industrial R: Residential EZ: Economic Zone
N/A Not applicable.

^l Structure must be in historic district.

^m Minimum age in enterprise zones is only 15 years.

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 without 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 6.2
Property Tax Exemptions for Pollution Control, Recycling, Solar Energy, and Energy Conservation Equipment, 2003

Locality	Pollution Control Equipment and Facilities	Recycling 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	No	Yes	No
Bedford	Yes	No	No	No
Charlottesville	No	Yes	Yes	No
Danville	Yes	Yes	No	No
Falls Church	No	No	Yes	No
Hampton	No	No	Yes	No
Hopewell	Yes	No	No	No
Lynchburg	Yes	Yes	Yes	No
Manassas	Yes	No	No	No
Newport News	Yes	No	No	No
Norfolk	Yes	No	No	No
Petersburg	Yes	No	No	No
Portsmouth	Yes	No	No	No
Radford	Yes	No	No	No
Richmond	Yes	No	No	No
Roanoke	Yes	Yes	Yes	No
Salem	Yes	No	No	No
Waynesboro	Yes	No	No	No
Winchester	Yes	Yes	Yes	Yes
Counties (Note: All counties responded to the survey. Those that answered "no" for all three items are excluded.)				
Albemarle	No	No	Yes	No
Alleghany	Yes	No	No	No
Amherst	Yes	No	No	No
Bedford	Yes	Yes	No	No
Campbell	Yes	No	No	No
Chesterfield	Yes	No	Yes	No
Cumberland	Yes	No	No	No
Dinwiddie	Yes	Yes	Yes	Yes
Fairfax	No	No	Yes	No
Franklin	Yes	No	No	No
Frederick	Yes	Yes	No	No
Giles	Yes	No	No	No
Grayson	Yes	No	No	No
Halifax	Yes	No	No	No
Hanover	No	No	Yes	No
Henrico	Yes	No	Yes	Yes
Isle of Wight	Yes	Yes	Yes	No
King & Queen	No	No	Yes	No
King William	Yes	No	No	No
Loudoun	No	No	Yes	No
Montgomery	Yes	No	No	No
Orange	Yes	No	No	No
Prince William	No	No	Yes	No
Pulaski	Yes	Yes	Yes	Yes
Shenandoah	Yes	Yes	No	No
Spotsylvania	Yes	No	Yes	No
Warren	Yes	Yes	Yes	Yes
Wise	No	Yes	Yes	No
York	Yes	No	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.)				
Front Royal	Yes	No	No	No
Tazewell	Yes	No	No	No
West Point	Yes	No	No	No
Wytheville	Yes	No	No	No