

Tax Guide for Virginia Home Buyers



On average, the Commonwealth of Virginia taxes its residents at comparatively modest levels. According to the most recent estimates from the Tax Foundation, a nonprofit research group, the combined state and local tax burden for Virginia residents is estimated at 9.3% of per capita income – more than half a point below the national average of 9.9%.

At the state level, the bulk of general fund revenues are generated by a combination of individual income tax, corporate tax and sales tax. Real estate is taxed at the local level by county, city and town governments. The state sets few restrictions on property tax rates, collection schedules and assessment methods, so home buyers should pay close attention to local variations in tax law when considering a Virginia real estate purchase.

Property Tax

RATES: All of Virginia's 95 counties and 39 independent cities are authorized to tax real estate and other forms of personal property. Statewide, property taxes are based on 100% of fair market value as assessed by the local taxing body. Tax collection methods vary considerably from place to place, with both fiscal year and calendar year systems in use, and quarterly, semiannual or annual payment schedules. Rates typically range from around 25 cents to over \$1.50 per \$100 of assessed value. In some jurisdictions, supplemental rates or parcel taxes are levied for town governments, public utility districts, transportation funds, infrastructure improvements and other specific government services.

EXEMPTIONS: Virginia has no statewide exemption for property tax, although many cities and counties offer property tax deferral plans and/or homestead exemptions for the primary residences of lower-income senior and disabled homeowners. Where such programs exist, exemption amounts and income eligibility limits are set by local tax law, not by the state.

ASSESSMENTS: While state law stipulates that property tax must be based on 100% of fair market value, each jurisdiction establishes its own procedures and schedules for assessing the value of real property. Home buyers should be aware that the fair market value used to calculate property tax is *not* tied to the most recent sale price, so it's possible for the assessed value to be higher than the price the current owner paid.

Virginia Taxes at a Glance	
Real Estate Tax	Real estate is taxed at the local level, with each city or county establishing its own rates, assessment methods and exemptions.
Real Estate Transfer Tax	State deed tax of 25 cents per \$100 of property value up to \$10 million. Some cities and counties collect local deed tax equal to one-third of the state tax. Additional state transfer tax of 50 cents per \$500 of property value is usually paid by the seller.
Income Tax	Four individual state income tax brackets ranging from 2% for the first \$3,000 of taxable income to 5.75% for taxable income over \$17,000.
Sales Tax	5% statewide, with 1% of that amount retained by local governments.
Vehicle Tax	Annual registration varies by weight and vehicle type from \$40.75 to \$51.75. State sales tax of 3% or \$35 (whichever is greater) collected each time a vehicle changes ownership. Vehicles also subject to local property tax, with limited exemptions for non-business vehicles.
Estate Tax	None for estates of residents who died after July 1, 2007.

Other Taxes

PERSONAL INCOME TAX: Virginia residents are required to file a state income tax return if their adjusted gross income is \$11,950 or more (\$23,900 or more if married and filing a joint or combined return). Part-year residents – as well as nonresidents with income from Virginia sources, including income derived from the rental or sale of real estate – are subject to the same filing requirements as residents. There are four state income tax brackets for individuals ranging from 2% (for the first \$3,000 of taxable income) to 5.75% (for taxable income over \$17,000). Social Security benefits are exempt from state taxes, and various exemptions and deductions are available for seniors, members of the armed forces, veterans and the disabled.

SALES TAX: The statewide retail sales and use tax for most purchases is 5%, with 4% of that amount going to the state government and 1% retained by the city or county where the transaction occurred. Food purchased for home consumption is taxed at 2.5%. Prescription and nonprescription drugs are exempted from state sales and use tax.

VEHICLE TAXES: Virginia levies sales and use tax on motor vehicles each time a vehicle is sold or changes ownership; the tax is 4% of the sale price (or \$75, whichever is greater), plus a \$10 titling fee. An additional \$64 fee applies to hybrid and electric vehicles. Annual registration fees for cars and pickup trucks range by weight and vehicle type from \$40.75 to \$51.75. Some cities and counties require owners to pay for an emissions inspection (or "smog check") every two years. Vehicle owners also may be subject to an annual personal property tax bill levied at the local level. Local governments are authorized to set vehicle property tax rates and valuation methods, but state law requires local jurisdictions to provide personal property tax relief on the first \$20,000 of assessed value for passenger cars, motorcycles and light trucks if they are predominantly used for non-business purposes.

REAL ESTATE TRANSFER TAX: Real estate transactions in Virginia are subject to three government taxes. The state imposes a deed tax (also known as a "recordation" or "grantee" tax) amounting to 25 cents per \$100 of property value up to \$10 million (lower rates apply to amounts in excess of \$10 million). Local governments may impose an additional grantee tax equal to one-third of the state tax. The buyer typically pays state and local grantee taxes. There is also a state transfer tax (the "grantor" tax) normally paid by the seller. The grantor tax rate is 50 cents for every \$500 of property value, exclusive of the value of any lien or encumbrance on the deed.

ESTATE TAX: There is no estate or inheritance tax in Virginia on the estates of residents who died after July 1, 2007.

ONLINE RESOURCES:

- Virginia Department of Taxation – General Information for Individuals
<http://www.tax.virginia.gov/site.cfm?alias=IndividualHome>
- Virginia Department of Taxation – Virginia Tax Facts
<http://www.tax.virginia.gov/Documents/TaxFacts.pdf>
- Virginia Department of Taxation – Local Tax Rates (Annual Reports)
<http://www.tax.virginia.gov/site.cfm?alias=LocalTaxRates>
- Virginia Department of Motor Vehicles
<http://www.dmv.state.va.us>



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