

# TAX GUIDE FOR VIRGINIA HOMEBUYERS

On average, the Commonwealth of Virginia taxes its residents at comparatively modest levels. According to the most recent estimates from WalletHub, the combined state and local tax burden for Virginia residents is estimated at 7.86%—lower than almost 75% of other states.

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.

## VIRGINIA TAX INFORMATION

Homeowners in the state of Virginia pay property tax rates that are well below the national average of 1.07%. At just 0.80%, the state's average effective property tax rate falls in the bottom half of the nation. 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.

## VIRGINIA PROPERTY TAX 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.

## **VIRGINIA PROPERTY TAX 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 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.

## **VIRGINIA SALES TAX**

Virginia has a statewide sales tax rate of 4.3%, which is combined with a statewide local rate of 1%. In addition to this combined 5.3% rate, localities in various parts of the state collect an additional sales tax: Northern, Central, and Hampton roads Regions, for example, collect 0.7%; and communities in the Historic Triangle receive an extra 1.7%, bringing the total sales tax rate here to 7%.

## **VIRGINIA VEHICLE TAXES AND REGISTRATION FEES**

Virginia levies sales and use tax on motor vehicles each time a vehicle is sold or changes ownership; the tax is 4.15% of the sale price (or \$75, whichever is greater). Annual registration fees for cars and pickup trucks range by weight and vehicle type from \$30.75 to \$35.75. 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, with the tax rate for most vehicles is \$4.57 per \$100 of assessed value.

## **VIRGINIA 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. (Cont...)

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.

## VIRGINIA ESTATE TAX

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

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