

Disabled Veteran Property Tax Exemption Workgroup Meeting

September 16, 2026

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- ▶ Legislative Mandate
- ▶ Legal Framework and Background, Revenue Impact, Proposals Considered Previously by General Assembly, and Comparison with Other States
- ▶ Discussion
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- ▶ Next Steps

- ▶ **Charles Kennington**, Assistant Commissioner
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Legislative Mandate

The Department of Taxation shall conduct a work group to review the cost of mandatory property tax exemptions for disabled veterans and their spouses.

The workgroup shall consist of local government representatives and any other stakeholders deemed necessary by the Secretary of Finance and the Secretary of Veterans and Defense Affairs.

The workgroup shall:

- (i) review and collect data on the cost of the exemption and implications to localities;*
- (ii) detail changes to the exemption and the impact of those changes to localities;*
- (iii) evaluate legislation previously introduced by the General Assembly on these exemptions; and*
- (iv) provide any recommendations to the General Assembly on these mandatory property tax exemptions.*

The Department shall submit a report with any findings and recommendations by November 15, 2026 to the Chairs of House Finance, House Appropriations, and Senate Finance and Appropriations Committees.

Legal Framework and Background

- ▶ Virginia Constitution Article X, Section 4:

Real estate, coal and other mineral lands, and tangible personal property, except the rolling stock of public service corporations, are hereby segregated for, and made subject to, local taxation only, and shall be assessed for local taxation in such manner and at such times as the General Assembly may prescribe by general law.

- ▶ Va. Code §§ 58.1-3200 & 58.1-3201:

“All taxable real estate, having been segregated for and made subject to local taxation only by Article X, Section 4 of the Constitution of Virginia, shall be assessed for local taxation in accordance with the provisions of this chapter and other provisions of law...”

- ▶ “All real estate, except that exempted by law, shall be subject to such annual taxation as may be prescribed by law.”

Notwithstanding the provisions of Section 6, the General Assembly by general law, and within the restrictions and conditions prescribed therein, shall exempt from taxation the real property, including the joint real property of husband and wife, of any veteran who has been determined by the United States Department of Veterans Affairs or its successor agency pursuant to federal law to have a one hundred percent service-connected, permanent, and total disability, and who occupies the real property as his or her principal place of residence. The General Assembly shall also provide this exemption from taxation for real property owned by the surviving spouse of a veteran who was eligible for the exemption provided in this subdivision, so long as the surviving spouse does not remarry [and continues to occupy the real property as his or her principal place of residence]. This exemption applies to the surviving spouse's principal place of residence without any restriction on the spouse's moving to a different principal place of residence.

GREEN – Constitutional Amendment as originally ratified Nov. 2, 2010, effective Jan. 1, 2011.

ORANGE – Removed by Constitutional Amendment ratified Nov. 6, 2018, effective Jan. 1, 2019.

PURPLE – Added by Constitutional Amendment ratified Nov. 6, 2018, effective Jan. 1, 2019.

Core Items in Statute that Mirror Constitutional Requirements

- ▶ Applicability
 - ▶ Real property, including joint real property of married veterans
- ▶ Eligibility of veteran
 - ▶ Veteran has been rated with 100% service-connected, permanent and total disability
 - ▶ Includes veterans rated at 100% based on individual unemployability (IU)
 - ▶ Real property is occupied as a principal place of residence
- ▶ Eligibility of Surviving Spouses
 - ▶ Real property was owned by eligible disabled veteran
 - ▶ Spouse has not remarried
 - ▶ Transferable when surviving spouse moves to a different principal place of residence

Key Statutory Gap-Filling Provisions

- Covers at least one acre of land on which residence is situated. § 58.1-3219.5.C.
- Extends to manufactured homes and to land on which manufactured home is located if owned by eligible veteran. § 58.1-3219.5.C.
- Qualification extends to property held under certain estate planning arrangements. § 58.1-3219.5.D.
- Proration of benefit, e.g. part-ownership by a non-qualified person. § 58.1-3219.5.E.
- Application procedures. § 58.1-3219.6.
- Department of Veterans Services rules governing determinations of eligibility and process for hearing and deciding appeals of denials. § 58.1-3219.7.
- Veteran and/or spouse retains eligibility when residing elsewhere in a nursing or convalescent home as long as residence is not used or leased to others for consideration. § 58.1-3219.8.

History of Amendments to Title 58.1, Chapter 32, Article 2.3

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Date	Bill No.	Summary
Apr. 2011	HB1645/SB987	Initial enactment of exemption's core provisions.
Mar. 2012	HB922/SB540	Clarified that exemption applies to real property under certain estate planning arrangements, e.g. revocable and irrevocable trusts.
Apr. 2012	HB190	Authorized the Department of Veterans Services to hear and decide appeals by veterans whose application for the exemption has been denied.
Apr. 2012	HB933	Extended exemption eligibility to veterans residing in a nursing or convalescent home, so long as residence is not used or leased to others for consideration.
Apr. 2012	SB22	Clarified that new applicants qualify for exemption as of date of 100% disability rating.
Mar. 2016	HB1203/SB366	Extended exemption to cover manufactured homes and to land on which manufactured home is located if owned by disabled veteran.
Mar. 2016	HB421	Extended exemption to cover certain improvements to real property.
Mar. 2018	SB430	Technical amendment to remove irrelevant terminology.
Feb. 2019	HB1655/SB1270	Implemented Constitutional Amendment allowing surviving spouses to continue to qualify for exemption when he/she moves to a new primary residence.
Apr. 2020	HB623	Substituted "married individuals" in place of husband and wife."
Mar. 2023	HB2414	Allowed disabled veteran or surviving spouse to receive pre-purchase decision on qualification.

Constitution of Virginia Article X, Section 6-A(b)

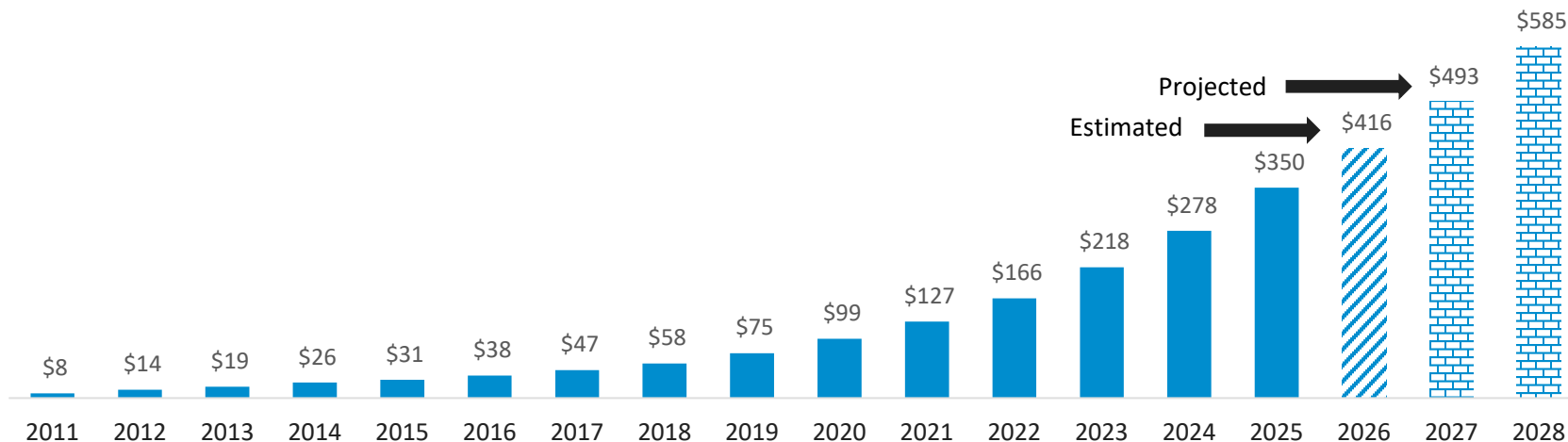
Notwithstanding the provisions of Section 6, the General Assembly by general law, and within the restrictions and conditions prescribed therein, may exempt from taxation the real property of the surviving spouse of any member of the armed forces of the United States who died in the line of duty with a Line of Duty determination from the United States Department of Defense, who occupies the real property as his or her principal place of residence. The exemption under this subdivision shall cease if the surviving spouse remarries and shall not be claimed thereafter. This exemption applies regardless of whether the spouse was determined to have died in the line of duty prior to the effective date of this subdivision, but the exemption shall not be applicable for any period of time prior to the effective date. This exemption applies to the surviving spouse's principal place of residence without any restriction on the spouse's moving to a different principal place of residence and without any requirement that the spouse reside in the Commonwealth at the time of death of the member of the armed forces.

Revenue Impact

- ▶ Statewide exemption cost has grown from \$8M in 2011 to an estimated \$416M in 2026, a more than 50-fold increase in 15 years
- ▶ At the 2026 growth rate of 19%, foregone local revenue is projected to approach \$600M annually by 2028
- ▶ The drivers of cost growth — including veteran population changes, property values, and eligibility trends — are among the questions this workgroup is studying

Mandatory Property Tax Exemptions

(Local dollars in millions)



**Totals are sourced from Virginia Municipal League and include disabled veteran, KIA, and line of duty real estate tax exemptions. TY2025 data from Virginia Tax indicates disabled veteran exemption accounts for over 99% of total veteran-related exemptions. Projections for 2027 and 2028 are based on 2025-26 growth rate of 19%.*

- ▶ The fiscal burden is concentrated in localities near military installations, which account for a disproportionate share of eligible veterans.
- ▶ Stafford County's exemption now represents over 10% of its entire real estate tax base, meaning more than one in ten dollars of real estate revenue is foregone.
- ▶ Virginia Beach has the most recipients (7,517) and the largest absolute cost (\$35M), but its larger tax base results in a lower proportional impact (4.1%).
- ▶ The gap between 4.1% and 10.1% illustrates why some localities feel this pressure far more acutely than others.

Highly Impacted Localities

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Locality	2018	2019	2020	2021	2022	2023	2024	2025	2026
<u>Stafford</u>									
# Returns	1,000	1,445	1,876	2,695	3,046	3,359	4,348	5,257	5,681
Exemption	\$3,452,685	\$5,007,162	\$6,662,423	\$9,280,786	\$12,049,758	\$15,719,900	\$21,959,002	\$26,019,616	\$32,360,142
% RE Revenue	2.0%	2.8%	3.5%	5.0%	6.0%	7.0%	8.2%	9.9%	10.1%
<u>Hampton</u>									
# Returns	871	1,034	1,194	1,467	1,736	2,074	2,410	2,660	2,767
Exemption	\$1,971,666	\$2,368,766	\$2,924,897	\$3,564,084	\$4,552,835	\$6,009,478	\$7,742,946	\$9,147,641	\$10,627,121
% RE Revenue	2.2%	2.6%	3.1%	3.7%	4.4%	5.2%	6.1%	6.8%	8.0%
<u>Chesapeake</u>									
# Returns	1,313	1,648	2,122	2,715	3,429	4,387	5,332	6,145	6,538
Exemption	\$3,447,491	\$4,514,505	\$6,334,577	\$8,026,718	\$11,093,254	\$15,472,051	\$21,789,816	\$26,553,564	\$31,166,537
% RE Revenue	1.3%	1.6%	2.1%	2.6%	3.4%	4.3%	5.6%	6.5%	7.3%
<u>Prince George</u>									
# Returns	359	429	467	549	617	681	744	794	794
Exemption	\$606,922	\$760,770	\$897,228	\$1,125,144	\$1,320,150	\$1,639,408	\$1,950,629	\$2,113,168	\$2,460,672
% RE Revenue	2.8%	3.4%	3.9%	4.4%	5.1%	5.6%	6.3%	6.9%	7.2%
<u>York</u>									
# Returns	320	515	646	820	896	915	1,173	1,396	1,616
Exemption	\$817,196	\$1,201,055	\$1,585,006	\$2,001,119	\$2,546,114	\$2,764,693	\$4,053,019	\$5,114,244	\$6,569,625
% RE Revenue	1.1%	1.6%	2.1%	2.6%	3.1%	3.4%	4.3%	5.1%	6.0%
<u>Virginia Beach</u>									
# Returns	1,441	1,751	2,120	2,666	3,305	4,106	5,106	6,242	7,517
Exemption	\$4,289,445	\$5,403,227	\$6,859,612	\$8,941,480	\$11,433,227	\$15,881,599	\$21,657,987	\$27,710,788	\$35,097,025
% RE Revenue	0.9%	0.9%	1.2%	1.4%	1.8%	2.3%	2.9%	3.5%	4.1%

*Totals are sourced from Virginia Municipal League and include disabled veteran, KIA, and line of duty real estate tax exemptions.
 TY2025 data from Virginia Tax indicates disabled veteran exemption accounts for over 99% of total veteran-related exemptions.

Proposals Considered Previously by General Assembly

Legislative Proposals 2020-2025 (Not Enacted)

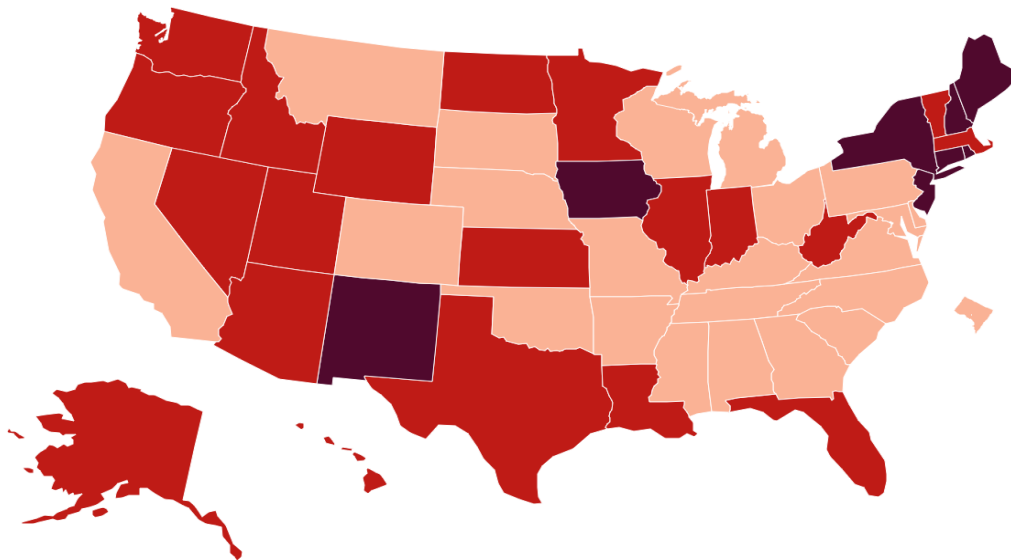
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Session	Bill No.	Sponsor	Summary
2020	HB363	Del. Mark Cole	Provide state subsidy of local real estate tax relief for disabled veterans and surviving spouses of members of the armed forces killed in action when more than one percent of a locality's real estate tax base is lost due to such state-mandated tax relief programs.
2020	HB1496	Del. Martha Mugler	Fully subsidize localities for the amount of real estate tax revenue lost due to real estate tax relief for disabled veterans and surviving spouses of members of the armed forces killed in action.
2020	SB143	Sen. Richard Stuart	Same as HB363 (2020)
2022	HB1168	Del. Vivian Watts	Provide that a person who is eligible for the real property tax exemption for certain disabled veterans and surviving spouses is entitled to a refund, retroactive to his date of eligibility, of taxes paid during the period of exemption, excluding interest or penalties.
2022	SB360	Sen. Richard Stuart	Same as SB143 (2020)
2023	HB1470	Del. Vivian Watts	Same as HB1168 (2022)
2023	HB2361	Del. Bill Wiley	Same as HB1168 (2022)
2023	SB1032	Sen. Richard Stuart	Same as SB143 (2020)
2024	HB1156	Del. A.C. Cordoza	Amend the definition of "permanently and totally disabled" to include those individuals who are blind or have uncorrectable vision loss that interferes with daily activities.
2025	HB2404	Del. Phillip Scott	Clarify that any driveway used to access land otherwise exempt from real property taxes as being owned by an eligible disabled veteran shall also be exempt.

Comparison with Other States

State Property Tax Breaks for Veterans

● 100% disability only ● 100% or less disability ● May qualify without disability



*Source: AARP, State revenue and veterans affairs offices (data as of January 20, 2026)

Long-Term Residency Requirement

- ▶ **Wyoming, Delaware** – 3-year continuous residency requirement
- ▶ **Massachusetts**
 - ▶ Resident/domiciliary of state for 6 months before entering military, or
 - ▶ Post-discharge resident of state continuously for 2 years.

Benefit Afforded to Disabled Veteran Based on Characterization of Discharge

- ▶ **Indiana, Florida, Wyoming** – honorably discharged
- ▶ **Nebraska** – honorable or general (under honorable conditions)
- ▶ **Illinois, Tennessee** – not have been dishonorably discharged

Exemption Limited to an Assessed Value Cap

- ▶ **Alaska** – \$150,000
- ▶ **Illinois** – \$250,000
- ▶ **California** - \$180,671, or \$271,009 if below income threshold (indexed for inflation)
- ▶ **Georgia** - \$126,526 (indexed for inflation)

Household Income Means Testing

- ▶ **District of Columbia** – \$163,500
- ▶ **California** – \$81,131 (qualification level for higher threshold)
- ▶ **Kansas** – \$58,041
- ▶ **Pennsylvania** – \$114,637 (automatic presumption of financial need)

Limitations on Benefit to Surviving Spouse

- ▶ **Delaware** – not portable
- ▶ **Texas, Florida, Minnesota** – Exemption applied to surviving spouse's new home is capped at the value of exemption at veteran/surviving spouse's former home.
- ▶ **Georgia** – portable only within same county
- ▶ **Oregon** – surviving spouse receives benefit only if deceased veteran died as a result of service-connected injury or received the benefit for at least one year
- ▶ **Ohio** – Surviving spouse must be at least 59 on date of deceased spouse's death
- ▶ **Nevada** – Must have been married to and living with deceased spouse for the 5 years preceding death

State Reimbursement of Foregone Revenues

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	State Payment to Locality	State Payment to Taxpayer	Individual Refundable Income Tax Credit
Full Reimbursement	Colorado, ¹ Nebraska, North Dakota, Ohio, Wyoming	Tennessee ²	West Virginia, Wisconsin
Partial Reimbursement	State	Description	
	Idaho	One-half reimbursed to locality	
	Maine	“At-least” one-half reimbursed to locality	
	Delaware	Full reimbursement of school district portion only	
	Texas	Full reimbursement applied to percentage threshold based on geographic profile; only certain jurisdictions near military bases are eligible	
	Massachusetts	Partial reimbursement consisting of “donut-hole”	

¹ Colorado provides 50% exemption based on \$200,000 Assessed Value Cap

² Tennessee has \$175,000 Assessed Value Cap

Discussion

- ▶ **Deuntay Diggs**, Chairman, Stafford County Board of Supervisors
- ▶ **Scott Mayausky**, Commissioner of the Revenue, Stafford County
- ▶ **Gerald Gwaltney**, Commissioner of the Revenue, Isle of Wight County
- ▶ **Mary Bunting**, City Manager, City of Hampton
- ▶ **Thomas Crabbs**, Military Liaison, Office of the Secretary of Veterans and Defense Affairs

- ▶ How has the growth in the tax exemption affected your locality's budget planning and property tax rate decisions?
- ▶ What administrative challenges does your locality face in processing applications, verifying eligibility, or handling appeals?
- ▶ Are there veterans in your locality who you believe should qualify but are encountering barriers to accessing the exemption?
- ▶ Should the Commonwealth consider some form of reimbursement to localities, and if so, what structure would be most workable?
- ▶ What information or data would most help the General Assembly make sound decisions about the future of this exemption?

- ▶ Please limit your remarks to two minutes.
- ▶ In-person attendees: please line up at the microphone when called upon.
- ▶ Virtual attendees: please raise your virtual hand. A facilitator will unmute you and call on you when it's your turn.
- ▶ When recognized, please state your name and the organization you represent.

Wrap Up

Step 1

Workgroup Meeting

Completed!

Step 2

Please respond to locality survey — Deadline: September 21, 2026

- ▶ To: taxsurveys@tax.virginia.gov

Step 3

Submit written comments — Deadline: September 23, 2026

- ▶ To: bonding.yee@tax.virginia.gov

Step 4

Virginia Tax circulates draft report to workgroup members — Mid-October 2026

- ▶ Provide any additional written comments one week after receipt

- ▶ Presentation will be made available on the Virginia Tax webpage: <https://www.tax.virginia.gov/> (coming soon)
- ▶ Final Report Submitted by November 15, 2026, to the Chairs of:
 - ▶ House Finance,
 - ▶ House Appropriations, and
 - ▶ Senate Finance and Appropriations.