



Roadmap to **VIRGINIA PROPERTY TAXES**

Commonwealth of Virginia

Virginia has 133 individual assessing jurisdictions. Each jurisdiction has its own rules, procedures, and deadlines. Summarizing general rules that apply to all jurisdictions in Virginia is difficult and potentially misleading. The following comments are generally (although not universally) true throughout most of the Commonwealth.

General Information

Assessment offices are operated in 95 counties and 35 cities. By law, assessment cycles range from annual to a maximum of six years. Most major jurisdictions in Northern, Central, and Southeast Virginia reassess annually.

Title 58 provides that all assessments shall be made at 100% of fair market value; therefore, assessed value and fair market value are the same. The assessment ratio is 100%. The date of value for assessment purposes is generally January 1, and taxes on the assessment are paid during the same calendar year.

Appeal of an assessed value is available following each reassessment. If the jurisdiction's reassessment is not on an annual basis but on a two-, four-, or six-year cycle, there may be no appeal opportunity in the interim years to the assessment office or Board of Equalization. Therefore, the only recourse to challenge "out of cycle" assessments is through the Circuit Court system.

Tax rates in urban jurisdictions are typically \$1.00–\$1.50 per \$100 of assessed value.

Valuation Approaches

Virginia assessors consider all three of the traditional approaches to value: Market, Income, and Cost Approach in determining the fee simple value of the property.

The Income Approach is based on a market-based Pro Forma rather than actual income and expense of the subject property. The Supreme Court of Virginia has approved this methodology, although they have included a caveat that the actual performance of the property must be considered.

The Supreme Court of Virginia has rules that Discounted Cash Flow analysis (AKA Yield Capitalization) is not to be used in preparing value estimates for ad valorem property tax purposes in the state.

For existing, income-producing properties, with a steady income stream, the Income Approach to value is typically given the most weight, using direct capitalization.

For new or special use properties, the Cost Approach is sometimes used, based on reported construction costs or utilizing cost estimator guides such as Marshall & Swift.

A recent sale (in an arm's length transaction) is given considerable weight in the determination of market value but may not be the sole determinant. Results from the other approaches to value will also be considered.

Supplemental assessments are not issued in the event of a sale. The sale will be considered during the next regular reassessment. This is true for jurisdictions that perform either an annual or multiyear reassessment.

The Supreme Court of Virginia has mandated the use of economic rent over contract rent as the most impartial means of achieving equity and the standard of fair market value. However, the courts have also decided that assessors must consider the effect on value when a property is locked into a below-market, long-term lease.

Because of the difficulty in maintaining assessments at 100% of fair market value, the courts have ruled that equitable treatment of all assessments is preferred if the 100% of fair market value standard cannot be met.

Income and Expense Information Requests

By law, assessors can require income and expense statements periodically from property owners. Most Virginia assessors issue a request for confidential income and expense information each year or in the year preceding a multiyear reassessment cycle. While compliance is voluntary, failure to file the requested forms may limit the rights of the taxpayer in an appeal.

By statute, if the income and expense information is not filed as requested, it may not be presented as evidence in a “judicial appeal.” However, many assessment jurisdictions take the position that it also applies to the administrative levels and if presented at an Assessor level or Board of Equalization (BOE) appeal, they will object to its admission into evidence. Recently passed legislation states that if the income and expense information is presented to a BOE at least 30 days prior to a hearing, the information must be accepted and considered.

It is the recommendation of Ryan that, in most cases, property owners should consult with their property tax representatives before they comply with the request.

Property Tax Appeals

In most jurisdictions, appeals can be made directly to any of the three levels of appeal: Assessor, BOE, or Circuit Court.

It is usually not necessary to appeal first to the assessor before going to the BOE. However, a few jurisdictions require an assessor-level appeal before filing to the BOE.

Deadlines to file an appeal to the Assessor and BOE levels vary among jurisdictions. The statewide deadline to appeal to Circuit Court is December 31 of the third year following the assessment year to be appealed.

In most counties, court cases can challenge the assessment for the current year and up to the prior three years (if the property is owned by the same owner).

Changes in Virginia Law

Continuing Education for BOE Members

BOE members will now be required to take continuing education instruction provided by the Department of Taxation at least once in every four years of service. Previously, only a half-day course of was required.

Benefit: Mandatory training will ensure that board members are more qualified and stay up to date on assessment issues. Board members may be challenged if they have not taken these courses.

Qualifications for BOE Members

Several changes were made to BOE eligibility requirements. All board members must be

- Residents of the jurisdiction
- Broadly representative of the community
- 30% must be real estate professionals

Benefit: Requiring real estate professionals should improve the understanding and appreciation of technical issues relating to assessments.

Term Limits for BOE Members

BOE members will be limited to nine consecutive years of service and are not eligible for reappointment for a period of three years.

Benefit: Turnover will solve the problem of long-serving members who were programmed to support the government’s point of view.