

# **State of Virginia Property Tax Assessments Statutes**

## **Basis for Property Tax Assessments – Market Value**

Real and tangible personal property must be assessed at fair market value (Sec.58.1-3201, Code, Sec. 58.1-3503(B), Code), but the term is not defined by statute. Methods of valuing property must be uniform within each classification and may reasonably be expected to determine actual fair market value. Assessing officials must take into account the condition of the property, including technological obsolescence if that is an appropriate factor for valuing such property (Sec. 58.1-3503(B), Code). The unit method of valuing railroad property was held unconstitutional in *County Board of Arlington County v. Department of Taxation* (VA SCt 1990) 240 Va 108, 393SE2d 194. Methodology: A local Virginia property tax assessing officer is required to furnish, upon the request of a taxpayer, information regarding the methodology employed in the calculation of a property's assessed value that includes the capitalization rate used to determine the property's value, a list of comparable properties or sales figures considered in the valuation, and any other market surveys, formulas, matrices, or other factors considered in determining the value of the property (Sec. 58.1-3331(C), Code). Separate classifications of property have been created for (1) improvements to real property that are designed and used primarily for the purpose of manufacturing a product from renewable energy, and (2) tangible personal property that is designed and used primarily for the purpose of manufacturing a product from renewable energy. Localities are permitted to levy their tangible personal property tax on such property at a different rate from the tax levied on other tangible personal property, but the tax rate cannot exceed the rate levied on the general class of tangible personal property in the locality. (Sec. 58.1-3221.4, Code; Sec. 58.1-3506(A)(41), Code).

## **Real Property Defined**

There is no generally applicable definition of “real property in Virginia law. When personal property is permanently affixed to real property it becomes a fixture and is taxed as real property. Under established Virginia case law(*Danville Holding Corp. v. Clement* (VA SCt 1941) 178 Va 223, 232, 16 SE2d 345, 349,*Green v. Phillips* (1875) 67 Va (26 Gratt) 752, 759), three general tests are applied in order to determine whether an item of personal property placed upon realty becomes itself realty, as follows: — annexation of the property to the realty; — adaptation to the use or purpose to which that part of the realty with which the property is connected is appropriated; and — the intention of the parties.



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## **Personal Property Defined**

Tangible personal property is defined to include all personal property not otherwise classified as either intangible personal property or as merchants' capital (Sec.58.1-3500, Code).

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## **Intangible Property Taxes**

Intangible personal property, which is exempt from tax, is defined by statute and regulation (Sec. 58-1-1101, Code, 23 VAC 10-340-20) as the following: — Capital that is inventory, except (a) wine in the hands of a winery producer,(b) merchandise located in a foreign trade zone, and (c) and agricultural product held in Virginia by any manufacturer for manufacturing or processing that customarily requires storage and processing for periods of more than one year in order to age or condition such product for manufacture. Such an agricultural product is includable in inventory for one tax year only. After being taxed, the agricultural product is excluded for all succeeding tax years; — Capital that is tangible personal property used in manufacturing (including, but not limited to, furniture, fixtures, office equipment, and computer equipment used in corporate headquarters), mining, water well drilling, radio or television broadcasting, dairy, dry cleaning or laundry, or commercial fishing. Machinery and tools, motor vehicles, fishing vessels, and delivery equipment of such businesses are not defined as intangible personal property; — Money; — Bonds, notes, and other evidences of debt; demands and claims; — Accounts receivable; — All imported and exported foreign merchandise or domestic merchandise scheduled for export while in inventory located in a foreign trade zone within Virginia; — Shares of stock; and — Computer application software, except computer application software that is inventory.