CHAPTER ONE PART ONE

THE LEGAL BASIS OF ASSESSING IN VIRGINIA

The real property tax is the principal source of local revenue for cities and counties in Virginia. The tax is imposed upon real estate, including land, buildings, and other improvements to the land, and is based upon the monetary value of the property. The determination of the fair market value of parcels of property within a given locality is the job of the assessor. Such property valuation requires that the assessor have special knowledge and technical skills in several areas, as well as an ability to synthesize material and form mature judgments from varied information; probably the administration of no other tax requires as much judgment and knowledge. Additionally, the assessor must have a sound knowledge of the general body of law relating to assessments for tax purposes. The following discussion is concerned with the latter area.

Real estate assessments for property tax purposes derive their legal authority from four sources: the Constitution of Virginia; the Code of Virginia; case law (court rulings); and Opinions of the Attorney General. The opinions in the Report of the Attorney General to the Governor of Virginia are published annually. While these opinions are not properly termed law, they are given considerable weight by public officials, including real estate assessors, in their construction of particular statutes and relevant case law. Cases decided by the Supreme Court of Virginia are recorded in a publication which is referred to as Virginia Reports. Chapter 32 of Title 58.1 of the Code of Virginia contains most of the statutory provisions pertaining to real property assessment; and the relevant constitutional provisions can be found in Article X, Section 4, of the 1971 revision of the Virginia Constitution.

Constitutional Right to Assess

The 1971 revision of the Virginia Constitution specifies that real estate, coal, other mineral lands, and tangible personal property (except rolling stock of public service corporations) are to be segregated for, and made subject to, local taxation. The constitution also provides that the General Assembly may further define and classify taxable subjects and segregate classes of property for either state or local taxation, except for those expressly segregated in the constitution.

The greatest area of involvement for the assessor is the estimation of value, which is actually related to how assessments are made. In this regard, the constitution requires that all assessments shall be at their fair market value, to be ascertained as prescribed by law. Fair market value of property has been defined by courts as "The price a property will bring when offered for sale by one who desires, but is not obliged to sell it, and is bought by one who is under no necessity of having it." The constitution further states that all taxes shall be uniform upon the same class of subjects within the territorial limits of the authority levying the tax. The courts have gone to great lengths to recognize the importance of the uniformity mandate, noting in several instances that, though fair market values are constitutionally required, the courts have consistently honored the breach of this rule as long as the uniformity provision of the constitution has been met.

Section 58.1-3200 of the Virginia Code provides the implementing vehicle for the taxation of real estate, except that which is exempted by law. Section 58.1-3201 of the Code requires that all annual and general reassessments be made at 100 percent of fair market value. It should be noted that this paragraph does not relate to public service properties.

Properties Exempt from Taxation
Virginia Constitution, Article X, Section 6 & 6-A

The constitution requires that all property, except that specifically exempted, is to be taxed. The exemption of properties is provided for in Article X, Section 6 and 6A. Basically, exemptions take two forms: (1) those which are mandatory and (2) those which are permissive.

Mandatory Exemptions
§58.1-3606-§58.1-3650

Mandatory exemptions can be divided into exemptions by classification and exemptions by designation (name). Class exemptions, as listed in Section 58.1-3606, include such properties as those owned by the federal, state, and local governments, property owned by churches and religious bodies and used for worship or for residence of a minister, non-profit private or public cemeteries, etc. Designated exemptions, as listed in Section 58.1-3607 through 58.1-3650, include properties owned by organizations such as the American National Red Cross, Boy Scouts and Girl Scouts of America, etc. However, in no case can exemptions be made unless provided for in the constitution.

Except for properties of the Commonwealth, the General Assembly may restrict or condition any exemption; in fact, most exemptions have some form of restriction. For example, it is not enough for property to be owned by a church in order to qualify for an exemption; the property must also be used exclusively for religious worship or for the residence of a minister. Therefore, property should not be exempted by name alone. Before exempting a property from taxation, the assessing official should thoroughly review the section of the law under which exemption is requested. For certain organizations it may be necessary to examine Acts of Assembly, request articles of incorporation and by-laws to determine if the organizations actually qualify. If all requirements are not met, the property should remain on the tax rolls. In any questionable situation, it is suggested that a legal opinion be obtained from the proper authority prior to granting exemptions.

Permissive Exemptions

A permissive exemption is one which is provided for in the constitution and state statutes, but which does not become effective in any local jurisdiction until and unless the locality adopts an ordinance specifically allowing the exemption. Such exemptions include real or personal property, equipment, facilities, or devices used primarily for certified pollution control, certified solar energy generation, and energy conversion. Localities may also exempt certain rehabilitated residential, commercial and industrial properties.

Inventory of Tax Exempt Property
§58.1-3604

The Code of Virginia requires the assessing officer of any county, city, or town to prepare and maintain an inventory and appraisal of all tax exempt property and all property immune from real estate taxation within that jurisdiction, except streets, highways, and other roadways. A general site description of the property and an identification of the owner must be placed on the land book, along with the assessed valuations of the property based on fair market value and the total tax which would have been due if the property were not exempt. Equity between the assessment of tax exempt property and that of taxable property should be maintained. The local assessing officer must annually publish the total assessed valuations of all exempt and immune property included in the inventory, as well as, a computation of the percentage such exempt property represents in relation to all assessed property within the locality, and the total reduction in tax revenues resulting from the exemptions. Forms for this report are prescribed by the Department of Taxation, which also must receive a copy of the report. All the costs of capturing and maintaining the inventory of tax exempt property are borne by the local jurisdiction.

Triennial Application for Exemption
§58.1-3605

Any jurisdiction may, by local ordinance, after giving sixty (60) days written notice, require that the owner of any real property which has been exempted, in order to retain the exempt status of that property, file a triennial application with the appropriate assessing officer. This application must indicate the ownership of the property, as well as, how the property is used. Also, the application must be filed within sixty (60) days preceding the tax year in which the exemption is sought.

Service Charge on Tax Exempt Property
§58.1-3400

Under the 1971 constitution and subsequent statutes, the governing body of any county, city, or town has the authority to impose and collect a service charge upon the owners of all tax exempt real estate within that jurisdiction. This service charge is based upon the assessed value of the tax exempt real estate and the amount which the locality would have expended in the preceding year for the purpose of furnishing police and fire protection, collection and disposal of refuse, and the cost of public school education for the children of staff residents of certain tax exempt institutions. However, any amounts received in federal and state grants specifically designated for these purposes must be deducted from the net charge. Therefore, the service charge would amount to a fee for the service actually provided and would be calculated solely upon the cost of the service used.

Any person who has reason to believe that the assessment or valuation of real estate for the purpose of collecting this service charge is in error may apply to the appropriate assessing official for correction. He may further appeal to the Circuit Court of the city or county as provided by law.

Special Use Value Assessments
§58.1-3230

In addition to the exemptions outlined in the preceding section, Article X, Section 2 of the constitution provides for implementation of general law to permit local jurisdictions to grant deferral of, or relief from, a portion of the taxes on certain classes of real estate. Pursuant to this authority, the General Assembly has passed legislation permitting localities that have adopted a comprehensive land use plan to provide, by ordinance and according to specific criteria, for the special assessment and taxation of agricultural, horticultural, forest, and open space lands at their use value rather than their market value.

Exemptions for Elderly and Handicapped Property Owners
§58.1-3210

Localities may also provide for exemption from, and deferral of, taxes on real estate and mobile homes owned by persons where taxes are found to constitute an extraordinary burden. Such individuals must be at least 65 years of age or permanently and totally disabled and meet financial and other qualifications described in Sec. 58.1-3211.

Specific Assessment Procedures

The following is a list of code sections which address specific procedures in dealing with certain assessment situations. Better understanding of these procedures can be obtained by referring to the entire notation in the specific code section.

§ 58.1-3203 Taxation of certain leasehold interest.

§ 58.1-3204 Lands acquired from the United States, etc. when beneficial ownership held prior to January 1.

§ 58.1-3205 Assessment of real property where interest less than fee is held by public body; exemption of interest of public body from taxation.

§ 58.1-3282 When land and improvements owned separately; how assessed.

§ 58.1-3283 Assessment of airspace owned separately from subjacent land surface.

§ 58.1-3284 Assessment of standing timber trees owned by a person who owns land surface; when owned separately.

§ 58.1-3285 Assessment and reassessment of lots when subdivided or rezoned.

§ 58.1-3286 Mineral lands to be specially and separately assessed; severance tax.

§ 58.1-3287 Mineral lands and minerals to be included in general reassessment of real estate.

§ 58.1-3288 Assessment in name of unknown owner.

§ 58.1-3290 How land divided among several owners to be assessed.

§ 58.1-3291 Valuation of repairs, additions and new buildings.

§ 58.1-3292 Assessment of new buildings substantially completed, etc.: extension of time for paying assessment.

§ 58.1-3293 Building, etc., when damaged or destroyed, value to be reduced.

§ 58.1-3294 Reports of income data by owners of income-producing realty; certification; confidentiality.

§ 58.1-3360 Credit on current year's tax, when land acquired by United States, the Commonwealth, a political subdivision or a church or religious body.

§ 58.1-3383 Omitted real estate and duplicate assessments.

Assessment Administration

The General Assembly has enacted a number of statutes which relate to the overall administration of real property assessments, the required frequency of assessments and reassessments, and the local officials who are responsible for conducting such assessments.

Reassessment and Assessment Cycles
§58.1-3250-§58.1-3255

Sections 58.1-3250 through 58.1-3254 provide for the general reassessment of real estate by resolution of the governing county or city body. It should be noted that, as a practical matter, most of the larger cities and counties throughout the State of Virginia conduct annual assessments by a full-time assessor and appraisal staff. Assessments in jurisdictions which do not have an office of real estate assessments with a full-time assessor may be administered by an appointed board of assessors or through the commissioner of revenue.

CHAPTER ONE PART TWO

Requirements for Notice and Public Hearings
58.1-3330

Two sections of the Code delineate certain requirements for the public notification whenever, as a result of any annual or general reassessment, changes occur in either the assessed value of real estate or in the total amount of real estate taxes collected.

The first provision concerns notice to property owners or changes in assessment. According to this statute, whenever there is a reassessment of real estate, or any change in assessed value of real estate, notice must be given to each property owner whose assessment has changed. The assessing officer or other person making the reassessment is responsible for sending this notice, which must be sent by postpaid mail at least fifteen (15) days prior to the date of a hearing to protest such a change. This notice must contain the magisterial or other district in which the real estate is located and provide the new appraisal of the land and of any improvements. The notice must also state the time and place at which persons may appear before the appropriate assessing officer to make their objections known. This section further requires that any person, firm, or corporation receiving a tax bill on behalf of a property owner must immediately mail or otherwise transmit the notice to the owner at his last known address.

58.1-3321
The second Code provision addresses the situation in which any annual or general reassessment of real property results in an increase of at least one (1%) percent over the total amount of real estate taxes collected the previous year. Whenever this situation occurs, the local jurisdiction must exercise one of two options: either (1) reduce its tax rate so as to produce no more than 101 percent of the previous year's real estate taxes or (2) conduct a public hearing, after which the tax rate may be increased above the previously mentioned reduced rate if the local governing body deems such an increase to be necessary. If a public hearing is held, proper notice must be given not less than thirty (30) days before the date of the hearing, which must be open to the public.

Assessment Records

In addition to the inventory of tax exempt already discussed, there are certain other legal requirements relating to the information that must be retained by assessing officers as part of their official assessment records. Closely related to these requirements are statutes concerning the confidential nature of certain assessment records and the disclosure of others which must be made available to the taxpayers.

Form of the Land Book
58.1-3301

The land book lists individual assessments; the name of the owner(s), the amount of the assessment, and the taxes levied. The land book is required of each jurisdiction upon completion of its general reassessment.

The Department of Taxation provides the form of the land book to be used by the commissioners, specifically in areas where the Department of Taxation has assisted in the computation of the assessments.

Apportionment of Land and Building Assessments
58.1-3302

The Code requires that the land book of town or city lots must list the name of the owner, his residence and estate as in the table of the tracts of land. In other columns shall be listed the lot number, the name of the city or town (if not listed in the caption of the table), a description of the lot or part-lot owned by the person, the value of the building(s) on the lot, the value of the lot including the building(s), the amount of tax at the legal rate, and the source of title.

Classifications of Real Estate
58.1-3230 – 58.1-3241 (Defined)

The Tax Commissioner is required to establish a classification system of real property to be included on the local land books with a minimum single digit land-use code of seven basic categories. The classification should be placed on the land books and organized in a manner appropriate with the identification of classifications in order that the annual sales ratio studies would comply with these basic classifications. These basic classifications may be subdivided into lesser categories if deemed necessary by the local assessing officer.

Property Appraisal Cards or Sheets
58.1-3332

This section requires that each assessing officer maintain current property records or sheets for all parcels of real estate assessed and assessable by him. These cards shall include the appraised value of property and improvements and the calculations used in determining the assessed value of the property and improvements.

It should be noted that the law requiring property record cards, classification of real property, and the land books should be considered as minimum requirements for a successful assessment office.

Confidentiality of Information
58.1-3

The assessing officer has the responsibility for collecting information which will enable him to fairly and equitably assess all properties within his jurisdiction, in order that the burden is equally distributed. Certain information which the assessor may need to obtain is of a confidential nature and cannot be divulged. The code specifically restricts the divulging of such information, as follows:

> ☐Except in accordance with proper judicial order, as otherwise provided by law, it shall be unlawful for the Tax Commissioner or any agent, clerk, commissioner of the revenue, treasurer, or any other state or local tax or revenue office or employee to divulge any information acquired by him in respect to the transaction, property, income or business or any person, firm or corporation while in the performance of his duties.

However, the secrecy of information is later qualified by the following wording:

> ☐...this inhibition does not extend to any matters required by law to be entered on any public assessment roll or book nor...to the sales price, date of construction, physical dimensions or characteristics of real property or to any information required for building permits.

Basically, this section of the Code restricts the assessing officer from giving out information he has collected in confidence. It does not prohibit him from making available information which may be collected from and is available from other sources; nor does it prohibit the publication of statistics as long as they are classified in such a way as to prevent the identification of particular owners and statements.

Public Disclosure of Certain Assessment Records
58.1-3331

All property appraisal cards or sheets within the custody of the assessing officer, except those which contain confidential information (as defined in the preceding section), must be open for inspection during normal office hours for review by any taxpayer or his representative. In addition, any taxpayer or his representative shall, upon request, be allowed to examine the working papers used by the assessor in arriving at the appraised and assessed value of his land and improvements. According to the act’s provisions, the assessor is allowed to fix a limited period within the regular office hours when the records should be available; but this time period may not be less than four hours per day, Monday through Friday, except on days when the office is otherwise closed. This does not negate any of the restrictions of the secrecy of information statute. Rather, it requires the assessor to make available to the taxpayer that information allowable under law. Therefore, every assessing officer should be thoroughly familiar with the legal constraints placed upon him regarding the public disclosure of assessment records.

Correction and Equalization of Assessments
58.1-3351

Even the most highly skilled, experienced , and judicious assessing official will sometimes encounter situations in which taxpayers feel that their property assessments are in error. State statutes have established two avenues whereby an aggrieved taxpayer may appeal the value placed on his property: Through application either (1) to the local board of equalization or (2) to the circuit court of the city or county.

Action by the Court
58.1-5984

Any person who feels that his property has been assessed at more than its fair market value, or that the assessment is not uniform in comparison with the surrounding properties, may make application for correction to the circuit court of the county or the city in which the assessment was made. This application must be made within three years from the last day of the tax year for which the assessment was made. While the taxpayer holds the burden of proving that the property in question was, in fact, assessed improperly, he does not need to show that intentional, systematic, and willful discrimination was involved. Whenever application has been made to the court, either the city or county attorney (or the

Commonwealth's attorney if there is no city or county attorney) must defend the assessment.

If the court finds, based on the evidence presented, that the assessment exceeds the proper amount, then the court has the power to reduce the assessment to reflect what, in its opinion, is the estimated fair market value of the property in question. At the same time, the applicant is exonerated from the payment of any erroneously charged taxes which resulted from that portion of the assessment found to be excessive. If the tax bill has already been paid, then that portion erroneously charged must be refunded. Conversely, if the court finds that the assessment is less than the proper amount, then the court must order the assessment increased to an amount which, in its opinion, is a reflection of the property's fair market value and shall order the applicant to pay their proper taxes. Whenever a correction in a real estate assessment is ordered by the court (whether that correction results in an increase or decrease), the Clerk of the Court must certify to the proper assessing official the changes made by the court, in order that the changes can be noted in the land books.

The Board of Equalization
58.1-3370 – 58.1-3389

The local board of equalization is charged by law with hearing and giving consideration to complaints concerning real estate assessments, not only from property owners but also from the City Council of Board of Supervisors through their appointed representative or attorney. Additionally, the equalization board has the responsibility to increase or decrease individual assessments whether a complaint has been made or not, if, in the board's opinion, such adjustments are necessary to equalize the tax burden upon all citizens in the jurisdiction. Also, in the performance of its duties, the equalization board may inspect any real estate which is subject to equalization.

Membership on the Board of Equalization

In most cases, the members of the board of equalization are appointed by the Circuit Court from among the citizens of the county or the city. However, in some localities a board of equalization is created and appointed by resolution, but only upon request of the local governing body. In order to be eligible for appointment, each prospective member of such board shall attend and participate in the basic course of instruction given by the Department of Taxation. A board of equalization must consist of three to five members, each of whom must be a freeholder in the county or city for which he serves. Each board member receives per diem compensation for the time actually spent performing the duties of the board. This compensation is determined by the local body, which may also limit the total compensation to a specific number of days that, in the governing body's opinion, is sufficient time for the board to complete its duties.

Activities of the Board of Equalization

The board of equalization is required to meet for whatever length of time is necessary to discharge its required duties and to dispose of applications for relief made to the board. However, the local governing body may, by ordinance, stipulate a date by which applications must be made by property owners to the board, as well as, a deadline by which the board must dispose of all such applications. Such deadlines, if imposed, must be clearly stated on the notice of assessment. State law further requires that, at least ten (10) days prior to each sitting of the board, proper notice be published in a newspaper having general circulation in the city of county, informing the public of the place and the days on which the board will sit.

The board of equalization must hear all petitions made to it, by order (either as the result of a complaint or upon its own motion), increase or decrease an assessment in order to rectify an error or equalize the tax burden. However, the board cannot increase an assessment until after the property owner has been notified, and, if he has not already been heard by the board, given the opportunity to show cause against such an increase.

In performing its required duties, the board of equalization must have access to the land book of the city or county, according to specific Code provisions. The board also has the authority to summon any taxpayer or other person for the following purposes:

(1) furnishing information relating to the real estate of any and all taxpayers; (2) answering, under oath, all questions pertinent to the ownership and value of real estate of any and all taxpayers; (3) bringing before the board their books of account or other papers and records containing information which would reflect the value of any real estate under review by the board. Any person who refuses to answer the summons made by the equalization board or to make available the requested records is guilty of a misdemeanor.

Appeals (BOE)

The decisions of the board of equalization are subject to further appeal. Either the taxpayer or the attorney for the county, city or town, if aggrieved by the board's decision, may apply to the Circuit Court of the county or the city for appeal. Such an appeal must be in the same manner and within the same time frame as prescribed by law for the correction of erroneous assessment.

Role of the State Department of Taxation
58.1-3278

The Department of Taxation is charged with the administration of the tax laws of the Commonwealth. In exercising this responsibility, the Department performs several functions which are directly related to the assessment of property.

Department of Taxation Assists Localities

Upon request, the Department assists localities with the request for proposal process when a locality is seeking bids for reassessment services. The Department also assists local boards of equalization at their requests or at the request of ten citizens.

The Department assists commissioners of the revenue and assessors with the assessment of extraordinary or unusual real estate and also assists commissioners of the revenue with the assessment of tangible personal property, merchant's capital, and machinery and tools.

Assessment of Railroads and Interstate Pipeline Companies (Department of Taxation)

The Department is designated as the central state agency to assess certain property of railroads and interstate pipeline companies. The Department assesses the rolling stock of railroads and private freight car companies. This revenue is paid into the general fund of the Commonwealth and is distributed to the localities according to a statutory formula.

Non-carrier property if railroad companies are certified to the localities for valuation and assessment. Carrier property of railroad companies and all real and tangible property of interstate pipeline companies is valued by the Department and the values are certified to the localities.

Assessment/Sales Ratio Studies (Department of Taxation)

The Department is required to annually collect property tax data necessary to make comprehensive assessment/sales ratio studies for every major class of real property in each county and city. The results of the study are used in the school fund distribution formula and the assessment of public service corporations. These companies include public utilities such as electric, gas and telephone companies as well as railroad and pipeline transmission companies. The ration study is published each year by the Department and must be posted in the office of each local assessing official.

Role of the State Corporation Commission

Designated pursuant to Article X, Section 2 of the Constitution of Virginia

The State Corporation Commission (SCC) is designated as the central state agency to assess for taxation the real estate and personal property of all public service corporations except those which fall under the jurisdiction of the Department of Taxation. The commission assesses this property and certifies the values to the various localities.

The Commission also assesses the rolling stock of certain transportation companies which operate under certificates of necessity and convenience as common carriers over regular routes issued by the SCC. These taxes are paid into the general fund of the Commonwealth and distributed to the localities by statutory formula.

CHAPTER TWO

THE REAL ESTATE APPRAISAL PROCESS

The property tax is an ad valorem tax, meaning that the tax levied is directly proportional to the assessed value of the property being taxed. That is, in most cases, the greater the property value, the greater the tax.

The assessment function is carried out at the local level by an assessing officer whose duty it is to ensure that all property is assessed uniformly and equitably. The assessing officer may be known as an Assessor, Evaluator, Supervisor of Assessments, Director of Finance, Commissioner of the Revenue, Board of Assessors, or any number of other titles. The Assessor is either elected, appointed, or serves under civil service.

This administrator is responsible for the discovery, listing, and valuing of all taxable property in his/her jurisdiction. Most often, this valuation is determined by a cadre of appraisers who use accepted methods and techniques for determining the assessed value. Title 58.1-3201 of the Code of Virginia states that, "All real estate, except that exempted by law, shall be subject to such annual taxation as may be prescribed by law...all general assessments or annual assessments in those localities which have annual assessments of real estate, except as otherwise provided...shall be made at 100% of fair market value."

Fair market value is defined by the courts as "The price it will bring when it is offered for sale by one who desires, but is not obliged to sell it, and is bought by one who is under no necessity of having it.

Sales Comparison Approach

The Sales Comparison Approach is the most popular and accurate method for determining market value when adequate sales of comparable properties similar to those being appraised, exist. Adjustments for differences in the properties are made and value is estimated for the subject by comparison.

Cost Approach

The Cost Approach, sometimes called the Summation Approach, consists of estimating the current reproduction or replacement cost of the improvements, deducting any accrued depreciation, and adding the value of the land. This technique is good for estimating the value of new properties with little or no accrued depreciation, and whose improvements represent the highest and best use of the property. Accrued depreciation is difficult to estimate, however, when the improvements are old or in poor condition and may not be the highest and best use of the property.

Income Approach

The Income Approach is most applicable to commercial properties that are bought and sold based on their earning potential. This process involves estimating the potential gross income from the property, deducting typical vacancy and collection losses and operating expenses, to arrive at net operating income. This net operating income is then converted into value using capitalization rates made up of a discount rate, tax rate, and recapture rate for improved property.

Correlation and Final Estimate of Value

The final step in the appraisal process is the procedure by which the value indications derived from the three approaches to value are correlated into a final estimate of value. At this point in the appraisal process, the assessor must review his work and consider these factors:

1. The amount and reliability of the data collected in each approach.
2. The inherent strengths and weaknesses of each approach.
3. The relevancy of each approach to the subject property. After considering these factors, the most relevant approach should receive the most weight. The final estimate of value is based upon this decision but is not necessarily restricted to the actual dollar amount resulting from the approach selected.

Level of and Uniformity of Assessments

When the appraisals are complete, their accuracy is measured by comparing their assessments to their latest sale prices. This is the assessment/sales ratio. The median assessment ratio is an indication of the level of assessments in jurisdiction to fair market value. Two additional statistical measures are used to show the uniformity of assessments. The coefficient of dispersion indicates how close the individual assessment/sales ratios are arrayed around the median ratio. A coefficient of dispersion of less that 10% indicates a good distribution of residential properties, while 15% or less is acceptable for agricultural properties because of the greater diversity in their values. The regression index is used to gauge the relationships of assessment ratios in high and low priced values. It compares assessment ratios to the mean ratio. An index of 1.00 indicates a uniform relationship. An index above 1.00 indicates the less expensive properties have a higher assessment/sales ratio than more expensive properties. The converse is true if an index is below 1.00.

CHAPTER THREE

PERSONAL PROPERTY ASSESSMENTS
§58.1-3500-§58.1-3522

Tangible personal property, machinery and tools and merchants capital are subject to local taxation pursuant to Article X Section 4 of the Constitution and Section 58.1-3500 through 58.1-3522 of the Code of Virginia.

Tangible Personal Property
§58.1-3503

Categories of personal property which unless, otherwise specified, are to be included in the general classification of tangible personal property and are listed in Section 58.1-3503. The types of property listed include among others cars, trucks, boats, aircraft, farm equipment, and personal property employed in a trade or business. Unless otherwise specified these categories of property are not to be considered separate classes for rates purposes.

Privately owned property which is leased to an agency or political subdivision of the federal, state or local governments is subject to taxation.

Methods of valuation include percentage of original costs and the use of recognized pricing guides. The methods used for valuing property may differ among the separate categories of property so long as each method used is uniform within each category, is consistent with the requirements as listed in Section 58.1-3503, and may reasonably be expected to determine actual fair market value. The assessing officer shall make available to the taxpayers on request a reasonable description of the valuation methods used.

Exemptions and Separate Classification
§58.1-3504-§58.1-3506

Certain household goods and personal effects as listed in Section 58.1-3504 are defined as separate classifications of property and the local governing body by ordinance may exempt in whole or in part all or any of those classes of property. Household appliances used in residential rental property shall be deemed to be fixtures and assessed as part of the real property.

Farm animals, certain grains, agricultural products, farm machinery, farm implements and equipment as defined in Section 58.1-3505 are defined as separate classes of property and the local governing body may by ordinance exempt in whole or in part, or provide for a different rate of tax, all or any of the separate classes. Grains, tobacco, wine produced by farm wineries and other agricultural products shall be exempt from taxation while in the hands of a producer.

Section 58.1-3506 list properties which are declared to be separate classifications of property including among others watercraft over five tons, aircraft, antique automobiles and heavy construction equipment. The local governing body may levy a different rate of tax on these classes but not to exceed the rate applicable to the general class of personal property or machinery and tools whichever is appropriate.

The rate of tax applicable to mobile homes shall be equal to the rate for real property.

Machinery and Tools
§58.1-3507

Machinery and tools, except machinery and equipment used by farm wineries, used in manufacturing, mining, processing or reprocessing, radio or television broad-casting, cable television, dairy, dry cleaning or laundry business shall be listed and segregated as a class of tangible personal property. The rate of tax imposed shall not exceed the rate imposed on the general class of tangible personal property.

Motor vehicles and delivery equipment (not registered with the Division of Motor Vehicles pursuant to Section 46.2-600) and owned by persons engaged in business as set forth in Section 58.1-3507 shall be taxed as machinery and tools.

Machinery and tools segregated for local taxation, other than energy conservation equipment of manufacturers shall be valued by means of depreciated cost or a percentage of original total capitalized cost excluding capitalized interest.

Machinery and tools and repair or replacement parts used directly in the harvesting of forest products shall constitute a separate class of personal property. The rate of assessment and tax shall not exceed that applicable generally to machinery and tools.

Merchants Capital
§58.1-3511-58.1-3514

Merchants capital or inventory on hand; daily rental passenger cars as defined in Section 58.1-2401: daily rental property as defined in Section 58.1-3510: and other taxable personal property of any kind whatsoever, except money on hand and on deposit and except tangible personal property not offered for sale as merchandise shall be segregated for local taxation. Neither the rate, nor assessment ratio shall be greater than such rate and ratio in effect in the locality on January 1, 1978.

Situs For Taxation
§58.1-3511-§58.1-3514

The situs for assessment and taxation of tangible personal property, merchants capital and machinery and tools shall be the county, city, or town in which the property is physically located on the tax day. However, the situs for motor vehicles, travel trailers, boats and air planes shall be the county, city, or town where the vehicle is normally garaged, docked or parked. If it cannot be determined where the property is normally kept the situs shall be the domicile of the owner. Any person who is domiciled in another state but whose vehicle is principally garaged or parked in the Commonwealth is not subject to taxation upon showing sufficient evidence that such person paid personal property tax on the vehicle in the state where he is domiciled.

Motor vehicles, travel trailers, boats or air planes operating over interstate roads and in the rendition of a common contract or private carrier service which are subject to property taxation in another state on an apportioned assessment shall be apportioned in the same percentage as total miles traveled in the Commonwealth to the total miles traveled.

Vessels and containers regularly engaged in foreign or interstate commerce which are only temporarily in a county, city, or town of the Commonwealth on the first day of the tax year may have not acquired situs for the purpose of taxation. Similarly cars, merchandise and equipment in transit which is stored, located or housed temporarily in a marine or airport terminal prior to being transported by vessels or aircraft to a point outside of the Commonwealth shall not acquire situs. Imports shall lose their status as imports and shall acquire situs when their original container or package is broken or when they reach their second place of rest or storage after being unloaded from aircraft, vehicle or vessel in which it was imported.

Tax Day/Filing of Returns
§58.1-3515

Except as otherwise stated in Section 58.1-3515, January 1 of each year shall be the tax day and the effective day of assessment. Certain counties, cities or towns as described in 58.1-3516 may provide for the proration of tax on a monthly basis for motor vehicles, trailers and boats which are acquired after the tax day or transferred prior to the end of the tax year. Such ordinance may exclude boats from the property subject to proration of the personal property tax. Any county or city may prorate the tax on mobile homes on a quarterly basis.

Tax Relief for Elderly and Disabled
§58.1-3506

One motor vehicle owned and used by anyone at least 65 years of age or anyone who is permanently and totally disabled may be taxed at a different rate not to exceed the tax rate levied on other motor vehicles. This classification may occur only when the governing body adopts an ordinance as described in 58.1-3506.1-58.1-3506.8.

CHAPTER FOUR

PROFESSIONAL DESIGNATIONS

The International Association of Assessing Officers (IAAO) was formed in 1935 to promote the fair and equitable assessment of property for tax purposes. It now has a membership all over the world and regularly sponsors seminars, classes and meetings to promote excellence in the assessment profession.

The Virginia Association of Assessing Officers (VAAO), which was formed in 1949, is affiliated with the International Association of Assessing Officers and promotes the same excellence in the assessment professional within the Commonwealth of Virginia.

Realizing that professionals in the assessment field should be able to demonstrate advanced skills and a high level of competence, the IAAO established the Professional Designation Program in 1953. Developed at the same time was the professional designation Certified Assessment Evaluator (CAE), designed for individuals who attain professional level skills in single property appraisals, mass appraisal and assessment administration. Following the CAE was the Residential Evaluation Specialist (RES) in 1978, the Cadastral Mapping Specialist (CMS) in 1989, the Personal Property Specialist (PPS) in 1991 and the Assessment Administration Specialist (AAS) in 1996. The RES designation is for single and mass real property appraisers who specialize in residential property valuation. The CMS designation is for those specializing in developing and maintaining a cadastral mapping system and the PPS designation is for members who specialize in the valuation of business personal property or personal property assessment administration. The AAS designation is for all disciplines in the area of assessment adminstration.

The VAAO Professional Designation Program Advisory Committee was established to encourage members to become candidates and to assist candidates in successfully completing the requirements for the professional designations.

ADMINISTRATION

The IAAO Professional Designation Program is administered by the Professional Admissions Subcommittee, whose chairman and members, who must be designated, are appointed by the president of IAAO. The duties of the Professional Admissions Subcommittee are to prescribe policy regarding applicant requirements, to screen all applications, to prepare suitable examinations, and to recommend to the Executive Board individuals qualified to receive the professional designations. Administrative support is provided by the director of professional services and the PDP assistant.

As the requirements for obtaining a designation from the IAAO change from time to time, we offer a link to the IAAO designation program found on the home page of the IAAO web site. Click here for additional information.

JEFF HUNT MEMORIAL CANDIDATES' ASSISTANCE TRUST

This trust was set up to assist candidates who have a financial need in preparing reports or in meeting educational requirements. The trust is administered by a five-member committee.

All grants must be requested on the proper application, available from IAAO Headquarters.

More specific information regarding the Professional Designation Program is contained in the publication Professional Designation Program Requirements, published by the International Association of Assessing Officers. Copies can be obtained from any IAAO or VAAO PDP Advisor or directly from IAAO Headquarters.