

Capitol Contact

Virginia General Assembly

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Tuesday, February 18, 2025

BPOL Legislation Headed to Conference

[HB 1743 \(Watts\)](#), which deals with the ability of businesses to deduct gross receipts attributable to business conducted in another state or foreign country from taxation under the BPOL tax, is headed to a conference committee to resolve differences between the House and Senate versions. Last Tuesday, the Senate Finance and Appropriations Committee converted the bill to a study directive – a much preferable approach, from VACo’s perspective – and this version passed the Senate last Wednesday. On Friday, the House rejected the Senate’s version. Conferees are expected to be appointed soon. VACo will be urging conferees to accept the Senate’s approach, which will allow this policy proposal to be fully vetted prior to making changes to the Code.

Under current law, receipts attributable to business conducted in another state or foreign country in which the taxpayer is liable for an income tax or other tax based on income are deductible. As passed by the House, HB 1743 would expand this provision to cover receipts from other states or foreign countries with a net income tax or other tax based upon gross or net income or receipts. This version of the bill has a delayed effective date of July 1, 2026, and requires the Department of Taxation to convene a working group to review the current methodology of the existing deduction, potential revenue impacts of the expanded deduction, and potential complexities for tax administration and for taxpayers, among other elements.

Expansion of the ability of businesses to deduct gross receipts attributable to business conducted outside of Virginia is expected to affect local revenues, with a potentially significant impact in some jurisdictions, although the full scope is difficult to quantify. Allowing the deductibility of gross receipts generated in states with other types of taxes also would add complexity to tax administration, since states have different rules and thresholds for filing. Given the unknown revenue impact and administrative complexity involved in the bill, and the compressed timeline of the short session, VACo has

encouraged a more thorough review of its implications in discussions with the patron and proponents of the legislation.

As passed by the Senate, the bill would be limited to the directive to the Department of Taxation to convene the working group, which would include participation by VACo, VML, the Commissioners of the Revenue Association of Virginia, the Virginia Chamber of Commerce, and other business representatives, with a report due by October 1.

VACo Contact: [Katie Boyle](#)

ACTION ITEM: Maintain State-Local Partnership in Children's Services Act

Please urge budget conferees to eliminate language from the introduced budget that would cap state reimbursements to local governments for CSA special education private day educational services.

ACTION REQUIRED: Contact [Budget Conferees](#) today to maintain the CSA state-local partnership and eliminate the proposed cap on state reimbursements.

BACKGROUND

- Language in the introduced budget would stipulate that the rate of state reimbursement to localities for private day educational services for services provided on or after July 1, 2025, may not increase more than 2.5 percent over the rates for such services provided the previous year.
- If a provider's rate increased beyond 2.5 percent over the previous year's rate, and no alternative placement was available or suitable, the locality would be left to cover both the state and local shares of costs in excess of that cap.
- VACo and VML have suggested [alternative language](#) that would direct a focused review of the current mechanisms by which the state supports school systems in serving children with high-level needs, in order to build on the recommendations of a recent workgroup on this topic. Providing additional support to local public schools was an area of consensus in a 2021-2022 workgroup on CSA, but further work needed to be done to determine the best mechanism to provide that support.

KEY POINTS

- The cap proposed in the introduced budget is intended to control rising costs for the CSA program, but its effect will be to shift those costs to local

governments, which are already struggling with cost increases under their existing local share.

- Local CSA programs cannot change placement decisions made in an Individualized Education Plan developed by a school division's IEP team. Although in theory, localities can negotiate rates when contracting with providers, in some localities, placement options are limited and thus localities' ability to bargain is limited as well.
- The CSA program, begun in the early 1990s, is a shared state and local responsibility. Capping the state's commitment to CSA would constitute a major departure from the foundation of this program by shifting part of the state's funding responsibility onto local governments.
- VACo strongly encourages budget conferees to eliminate the proposed cap and preserve the state/local partnership at the heart of CSA.

KEY CONTACTS

- **Budget Conferees:** [Senator Lucas](#), [Senator Locke](#), [Senator Deeds](#), [Senator McDougle](#), [Senator Pillion](#), [Delegate Torian](#), [Delegate Sickles](#), [Delegate Bulova](#), [Delegate Carr](#), [Delegate Austin](#), and [Delegate Bloxom](#).

VACo Contact: [Katie Boyle](#)

Photo Speed Monitoring Devices (Speed Camera) Discussion

[SB 1209 \(Obenshain\)](#), as substituted, stated that all civil penalties collected for the purposes of recording vehicle speed violations shall be paid to the Commonwealth Transportation Board to be used for the Virginia Highway Safety Improvement Program (VHSIP). What this means, in practice, is that for counties who choose to administer a photo speed enforcement program, all funds generated will then be sent to the state. SB 1209 was amended to address VACo's concerns as the language directing funds to be deposited in the VHSIP was removed. **VACo thanks Senator Obenshain** for hearing our concerns. SB 1209 passed the Senate 40-0 and was referred to but will not be heard in the House Courts of Justice Committee.

[HB 2718 \(Leftwich\)](#) requires photographs or other recorded images produced by a photo speed monitoring device placed in a school crossing zone to depict the flashing warning sign with the image or video that captures the violation in a school zone. VACo relayed concerns to the Delegate that this requirement would be

burdensome for localities currently operating photo speed enforcement programs, especially for counties who do not own their own roads as current statute would not allow cameras to be installed outside of the school crossing zone to capture the flashing sign and violation. VACo and county leaders worked with Delegate Leftwich to amend the bill giving flexibility on this requirement. [As amended](#), HB 2718 would allow for documentation to depict or confirm that the flashing warning sign was active at the time the photo speed camera captures a violation. **VACo thanks Delegate Leftwich** for working with us on this bill and addressing our concerns.

[HB 2041 \(Seibold\)](#) would require civil penalties collected from photo speed cameras to be used solely for the operating costs of such speed safety cameras and that any excess fund collected are to be annually deposited in the VHSIP. VACo opposed HB 2041 as it passed the House by a vote of 54-44. HB 2041, on its journey through the Senate, has been amended often and multiple substitutes have been offered as the details of the bill have been debated. During the bill's hearing in the Senate Transportation Committee, two substitutes were offered that would have largely addressed VACo's concerns. Unfortunately, neither of those substitutes were considered. The Committee voted down the bill by a vote of [6-9](#). **VACo thanks county members** for your outreach and **thanks Delegate Seibold** for her hard work and coordination with VACo to try and get this bill in a more positive posture for localities.

[SB 1233 \(Williams-Graves\)](#), as introduced, would authorize state and local law-enforcement agencies to place and operate pedestrian crossing violation and stop sign violation monitoring systems in school crossing zones and highway work zones for purposes of recording pedestrian crossing and stop sign violations. The bill's language has changed substantially as it was substituted during its hearing in the House Transportation Committee's Innovations Subcommittee. SB 1233, [as substituted](#), contains the same language that HB 2041 (Seibold) has as it passed the House of Delegates. SB 1233 would require civil penalties collected from photo speed cameras to be used solely for the operating costs of such speed safety cameras and that any excess fund collected are to be annually deposited in the VHSIP. VACo opposes SB 1233 as this would redirect locally generated funds to the VHSIP which is administered by the State. VACo believes that keeping these funds at the local level empowers communities to invest in critical programs and infrastructure improvements that directly address their unique needs and priorities. SB 1233 passed the Senate today by a vote of 52-44. Since SB 1233 previously passed the Senate with different language, we expect this bill to end up in conference.

VACo Contact: [James Hutzler](#)

Collective Bargaining and Binding Arbitration Bill Statuses

VACo urges opposition to [HB 2764 \(Tran\)](#) / [SB 917 \(Surovell\)](#), which would undermine the existing local option local governments have to engage in collective bargaining agreements with their employees and require local governments to engage in collective bargaining should their employees so choose. The bills create the Public Employee Relations Board, which shall determine appropriate bargaining units and provide for certification and decertification elections for exclusive bargaining representatives of state employees and local government employees. These bills which have other, problematic provisions have cleared their respective chambers and are likely headed towards Governor Youngkin's desk. The fiscal impacts to both the [state](#) and [local governments](#) for these bills are large. **VACo opposes any effort to mandate collective bargaining for public employees.**

As previously [reported](#), these bills would remove local authority by imposing mandatory collective bargaining for local governments if a group of employees petition and vote to form a bargaining unit. The bill would also create a state Public Employee Relations Board and impose binding arbitration, among other provisions. HB 2764 / SB 917 are similar to previous labor organization-backed legislation from prior general assembly sessions, which was reported on by VACo [here](#) and [here](#). As a result of the 2020 session, compromise [legislation](#) from then Senate Commerce and Labor Chair Senator Saslaw removed the ban on collective bargaining for local governments in Virginia, but ensured that the decision as to whether or not to engage in collective bargaining remained a local government option. Since the enactment of that law in May 2021, several local governments and local school boards have opted to adopt ordinances in collaboration with labor groups allowing collective bargaining to proceed and have made collective bargaining agreements.

SB 917 also incorporates separate legislation including [SB 1401 \(Lucas\)](#), which would have created similar provisions only for firefighters, and [SB 1033 \(Pekarsky\)](#), which would have permitted school boards to enter into agreements subject to binding arbitration. As previously [reported](#), VACo testified with concerns over potentially significant challenges that would undermine the financial harmony and statutory balance between school boards and county boards of supervisors.

KEY POINTS

- Virginia is home to a diverse array of localities with significant variations in population, resources, and administrative capacity. Mandating a uniform collective bargaining framework ignores these differences and places an undue burden on many localities that lack the resources to manage the complexities of collective bargaining agreements. Disregard for locally tailored solutions disrupts established practices and agreements and creates

unnecessary confusion and an administrative burden.

- This legislation preempts local governance, introduces fiscal uncertainty, and disregards the progress made under the current framework.
- VACo urges the General Assembly to respect the autonomy of local governments and reject these measures.

VACo Contact: [Jeremy R. Bennett](#)

Bill to Mandate Statewide Standards for Solar Facilities Fails

[HB 2438 \(Mundon King\)](#) failed to report out of the [Senate Commerce and Labor Committee](#) by a vote of [7 yes – 7 no \(and one abstention\)](#) on the last day for any committee action on bills. HB 2438 would have required that, unless otherwise permitted “by right,” a locality shall require a “special exception” (aka special use permit) for any solar or energy storage project.

Additionally, the legislation mandated the following criteria to be adopted in local zoning ordinances:

- Setback distances between (1) 150 and 300 feet from houses on adjacent properties; (2) 50 and 100 feet from any state-maintained road; and (3) 50 and 100 feet from edged of streams.
- Vegetative visual screening requirements shall not be required to exceed between three and four feet at planting and shall allow for consideration of preexisting natural or manmade visual barriers.
- Maximum 25-foot height for solar panels, except in cases where a height variance is necessary to allow for agrivoltaics activity below or in proximity to the panels.

VACo opposed the legislation, noting that counties should not be required to adopt statewide criteria for the review and approval of solar and energy storage facilities in local zoning ordinances.

VACo Contact: [Joe Lerch, AICP](#)

Public Meeting Agenda Legislation Referred to FOIA Council

Legislation that would have imposed additional constraints on public meeting agendas has been tabled and referred to the [Freedom of Information Act \(FOIA\) Council](#).

[SB 876 \(Ebbin\)](#) was unanimously laid on the table by the House General Laws Committee's Procurement/Open Government Subcommittee on a vote of 7-0 with a referral from the chair to the FOIA Council. VACo expects to work with the Council post-session to address the concerns raised by the bill.

As previously [reported](#), VACo opposed SB 876, as introduced, because it did not provide for the addition of, and action on, agenda issues that were emerging or required swift attention. The bill expands current notice information required of Public Bodies providing that the notice shall include a proposed agenda listing all items expected to be considered by the public body at the meeting and that agenda items shall be sufficiently descriptive to give the public reasonable notice of the matters to be considered at the meeting. What is particularly problematic about the bill is added language that provides that amendments to the proposed agenda may be made prior to the meeting, but the public body shall not take any final action on those amended or additional agenda items. This provision would essentially prevent modifying the agenda at a meeting and would prohibit a local public body from responding promptly to issues.

Operation of local government requires action on issues that come with the day-to-day complexities of safely and efficiently operating of local government functions. Requiring public bodies to wait until the next meeting, which may be a month away, to act, is unreasonable at best and a public safety concern at worst.

The patron considered concerns raised by VACo and other public bodies and introduced a substitute to the bill which provides in part that the agenda and any subsequent revisions shall be posted on the public body's official public government website, if any, and made available to the public prior to the meeting. It also provides that any items added to the agenda after the meeting commences may be considered and discussed at the meeting, but final action shall not be taken on such an item unless the matter is time sensitive. This new language would allow action on matters added to the agenda that are time sensitive, but all other matters added cannot be acted on until a subsequent meeting.

VACo Contacts: [Jeremy R. Bennett](#) and [Phyllis Errico, Esq., CAE](#)

Update on Finance Bills of Interest to Local Governments

With only a few days remaining in the 2025 regular session, legislative action on many tax- and finance-related bills is complete, although several bills are headed to conference committees. Following is an update on the status of several bills of interest to local governments.

Affordable housing assessment: As [reported earlier in the session, HB 2245 \(Callsen\)](#) was improved over the course of discussions with the patron and proponents of the legislation. The bill, which has now passed both chambers, requires property operated as affordable housing under certain specified federal programs that is generating income to be assessed using an income approach based on certain specified data points; however, if the information needed for this analysis is not provided by the property owner or is not available on relevant databases, the income approach would not be required. Language regarding the owner's submission of income and expense information on a standard form was revised to ensure that the information would have to be complete and accurate in order to satisfy the owner's existing statutory obligation to report this information. The Department of Taxation is charged with developing a standardized income and expense reporting form, in consultation with stakeholders.

Property tax exemptions for disabled veterans and surviving spouses:

Several bills regarding property tax exemptions for disabled veterans and their surviving spouses and the surviving spouses of servicemembers who die in the line of duty were introduced this session; only one is moving forward.

- [HB 1868 \(Feggans\)](#), which has passed the House, clarifies that the real property exemption available to a surviving spouse of a servicemember who died in the line of duty extends to deaths as a result of suicide. This bill has passed the House and is headed to the Senate floor after being reported from the Senate Finance and Appropriations Committee with a technical amendment last night.
- [HB 2737 \(Tata\)](#), [SB 895 \(Rouse\)](#), and [SB 900 \(DeSteph\)](#), which would have would have established a local option to provide for a more extensive exemption for property owned by surviving spouses of servicemembers who die in the line of duty, failed prior to crossover. Current law provides that for the real property tax exemption for the surviving spouse of a servicemember who died in the line of duty, dwellings qualify for a full exemption if they do not exceed the average assessed value of a dwelling that is situated on property that is zoned as single family residential. If the value of the dwelling exceeds the average assessed value, the portion of the assessed value that exceeds the average assessed value is taxable. SB 895, SB 900, and HB 2737 would have allowed a local option to provide for a total exemption for dwellings situated

on property that is zoned as single family residential. A subcommittee of Senate Finance and Appropriations opted not to take action on SB 895 and SB 900, and to refer them for further study, and HB 2737 was left in House Finance.

- [**HB 2404 \(Scott\)**](#) would have specified that the real property tax exemption for disabled veterans and their surviving spouses and for the surviving spouses of servicemembers who die in the line of duty applies to driveways used to access the tax-exempt property. This bill was passed by indefinitely in Senate Finance and Appropriations.
- [**SB 1312 \(McPike\)**](#), a helpful measure that VACo supported, was introduced at the request of Stafford County and would have required the Commonwealth to reimburse 50 percent of lost revenue associated with the property tax exemptions for disabled veterans or their surviving spouses and the surviving spouses of members of the armed forces who are killed in the line of duty, if at least one percent of real property was exempt from real property taxes in tax year 2022. The bill narrowly failed to report in Senate Finance and Appropriations.

Other property tax exemptions

- [**HB 1896 \(Willett\)**](#) relates to certain property that is tax-exempt by classification (such as property owned by the Commonwealth or by religious institutions, or nonprofit or public cemeteries) and provides that real and personal property owned by a single member limited liability company whose sole member is an organization whose property would otherwise be tax-exempt qualifies for the exemption. This bill has passed both chambers and is headed to the Governor.
- [**HB 1970 \(Watts\)**](#) and [**SB 1202 \(Deeds\)**](#) respond to a specific case in the City of Winchester. As introduced, both bills would clarify that the Constitutionally-mandated property tax exemption for property owned by “institutions of learning not conducted for profit, so long as such property is primarily used for literary, scientific, or educational purposes or purposes incidental thereto” includes institutions licensed by the Department of Education that provide special education and related services pursuant to the federal Individuals with Disabilities Education Act. As introduced, both bills also included an enactment clause stipulating that the General Assembly would be overturning the holdings of the Circuit Court in the Winchester case. The enactment clause was removed from the Senate version of the bill, but remains in the House version. These bills are headed to a conference committee.
- [**HB 2029 \(Hernandez\)**](#) and [**SB 816 \(Rouse\)**](#) are intended to improve awareness and use of real estate tax relief programs that are offered to the elderly and residents with disabilities at local option. The bills allow a locality

to require that a taxpayer must meet certain qualifications to participate in a local exemption or deferral program. The bills also allow information about a local real estate tax exemption or deferral program to be provided in the notice of change in assessment (currently, notice must be provided with the real estate tax bill), and add language to the existing statutory requirement for the treasurer to “employ any other reasonable means necessary to notify residents” about the exemption or deferral program to include posting program information on the locality’s website. The bills also allow a locality to provide for a prorated exemption or deferral for the portion of the taxable year during which the taxpayer would have qualified for the exemption or deferral, but had not applied. Both bills are awaiting action by the Governor.

- **[HB 2302 \(Sickles\)](#)** has passed both chambers and is headed to the Governor’s desk. The bill relates to the Constitutional exemption for real and personal property owned by churches and religious bodies and stipulates that property on which a new structure is being built to replace or rebuild a church or other building for religious worship qualifies for the exemption. The bill contains certain guardrails, including a requirement for the taxpayer to demonstrate to the locality’s satisfaction that the property was exempt prior to the rebuilding or replacement of the structure, that construction will commence no later than six months after discontinuation of the property’s previous use, that there is a reasonable timeline for completion of the structure and the property will be used for no other purpose during the construction, and that after completion, the property will be used for religious worship or for the residence of the minister of any church or religious body.

Sales of tax-delinquent property/tax collections: **[HB 1792 \(Orrock\)](#)**, which relates to a local treasurer’s ability to sell certain tax-delinquent property at public auction, has passed both chambers. Under current law, such property may be sold in this manner if it is assessed at \$10,000 or less and the taxes are delinquent after three years; is assessed at more than \$10,000 but less than \$25,000 under certain circumstances; or is assessed at more than \$25,000 but less than \$40,000 under certain circumstances. The bill increases the thresholds by \$5,000 (except for the \$40,000 cap). This statute is intended to allow an expedited process for returning certain small pieces of tax-delinquent property to the tax rolls. **[HB 2362 \(Mundon King\)](#)** establishes certain process improvements for tax sales of delinquent property that are administered through the courts; this bill is on the Senate floor.

[HB 1979 \(Hernandez\)](#) would have capped the amount of an individual’s wages that may be garnished for delinquent taxes and charges owed to the state or a local government at 25 percent of disposable earnings for a workweek (currently this cap applies to garnishments by other creditors, but not to state or local taxes). This bill was passed by indefinitely in Senate Finance and Appropriations.

Tangible personal property classifications: **[HB 1939 \(Reid\)](#)**, which has passed both chambers, adds certain electric-powered landscaping equipment

employed in a trade or business to the list of separate classes of tangible personal property on which a locality may impose a rate of tax that is different from the rate imposed on the general class of property. The rate imposed on this class of property would not be allowed to exceed the rate imposed on the general class of tangible personal property. Loudoun County Supervisor Juli Briskman spoke in support of this bill during its subcommittee hearing in the House, explaining that the measure could serve as an incentive to landscaping companies to use electric equipment rather than gas-powered tools.

Plastic bag tax: [HB 1764 \(Martinez\)](#) requires any county imposing a disposable plastic bag tax to distribute a portion to any town located within the county, based on the local sales tax distribution formula. Towns would be limited to the same uses for the funds that are prescribed for the county (environmental cleanup, educational programs, pollution mitigation, and providing reusable bags to SNAP or WIC beneficiaries). This bill has passed both chambers; similar legislation passed the General Assembly last year, but was vetoed by the Governor.

VACo Contact: [Katie Boyle](#)

Early Childhood Care and Education Bill Referred to Commission

VACo supports legislation that would bolster early childhood care and education in Virginia. [HB 2538 \(Bulova\)](#) cleared the House of Delegates on a vote of 71-28, but was passed by indefinitely by the Senate Finance and Appropriations with a letter of referral to the Early Childhood Care and Education [Commission](#). As introduced, the bill would have required the Department of Education to establish and maintain a funding formula for the provision of early childhood care and education services, make disbursements from the Early Childhood Care and Education Fund established in the bill, and submit to the Commission on Early Childhood Care and Education a report on the status of the Fund, among other provisions. The Senate Education and Health Committee adopted a substitute version of the bill and referred it to Senate Finance and Appropriations by a unanimous vote of 15-0. The substitute pared the bill back by eliminating the creating of the Fund but retained language to address childcare deserts. The Senate companion of this bill, [SB 756 \(Locke\)](#), was left in Senate Finance and Appropriations prior to crossover.

VACo supports efforts to increase at-risk children's access to high-quality, enriching learning environments, including more resources and flexibility for localities participating in programs like the Virginia Preschool Initiative and Head Start. VACo supports additional federal and state funding for programs such as the Child Care and Development Block Grant (CCDBG) to support increased demand for childcare services. VACo supports local flexibility to administer or expand support services for childcare. VACo supports the work of and local government representation on the Commission on Early Childhood Care and Education to

provide recommendations for and tracking progress on the financing of Virginia’s comprehensive birth-to-five early childhood care and education system.

VACo Contact: [Jeremy R. Bennett](#)

Energy Landscape of Virginia Episode 8 | Virginia General Assembly Update – Legislation on Data Centers and Utility-Scale Solar



[Listen to the Podcast](#)

Virginia General Assembly Update – Legislation on Data Centers and Utility-Scale Solar. Joe Lerch and VACo Executive Director Dean Lynch provide an update on the status of legislation relating to Data Centers and Utility-Scale Solar.

Where to find out more about topics covered in this episode

- [JLARC “Data Centers in Virginia” Report](#)
- [HB 1601/SB 1449](#) – Siting of Data Centers; Site Assessment
- [House Budget Amendment](#) – Extends the sunset date for sales tax exemption for data centers from 2035 to 2050
- [Senate Budget Amendment](#) – Requires data center operators to meet energy efficiency standards to qualify for sales tax exemption
- [Capitol Contact ALERT: VACo Opposes Bill Mandating Targets for Utility-Scale Solar in Comprehensive Plans](#)
- [Bills to Mandate Counties put State Targets for Utility-Scale Solar in Comprehensive Plans Fail](#)

VACo Contact: [Joe Lerch, AICP](#)

General Assembly Convenes, Adopts Schedule for 2025 General Assembly Session

Key dates for the 2025 session, as approved by the General Assembly in its procedural resolution, are as follows:

- **Wednesday, January 8:** General Assembly convenes. Last day to introduce legislation creating or continuing a study, or legislation regarding the Virginia Retirement System
- **Friday, January 10:** Deadline for Senate budget amendments
- **Monday, January 13:** Governor's State of the Commonwealth Address; last day to pre-file legislation (by 10 a.m.); deadline to submit House budget amendments
- **Friday, January 17:** Last day to file bills, except for bills offered by unanimous consent or bills submitted on behalf of the Governor
- **Sunday, February 2:** "Budget Sunday" deadline for House Appropriations and Senate Finance and Appropriations Committees to report their respective budgets by midnight
- **Tuesday, February 4:** "Crossover" deadline for each chamber to complete work on legislation originating in that chamber (except the budget bill)
- **Thursday, February 6:** Deadline for each chamber to complete work on its budget bill
- **Wednesday, February 12:** Deadline for each chamber to complete consideration of the other chamber's budget bill and revenue bills
- **Monday, February 17:** Deadline for committee action on legislation by midnight
- **Saturday, February 22:** Scheduled adjournment *sine die*
- **Wednesday, April 2:** Reconvened session for consideration of Governor's amendments and vetoes

VACo Contact: [Katie Boyle](#)