



Legislative Bill Analysis

[Senate Bill 1357](#) (Archuleta)

Date: June 15, 2022 (Amended)

Program: Property Taxes

Revenue and Taxation Code section 205.5.1

Effective: Immediately

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Summary: Adds Revenue and Taxation Code (RTC)¹ section 205.5.1 which changes the disabled veterans' property tax exemption to exempt from property taxation for lien dates occurring on or after January 1, 2023 but before January 1, 2033, the principal place of residence owned by a veteran or veteran's spouse when the veteran is blind in both eyes or has lost the use of two or more limbs as a result of injury or disease incurred in military service with a 100% disability rating from the United States Department of Veterans Affairs (USDVA) or a veteran who is totally disabled as a result of injury or disease incurred in military service.

Summary of Amendments: The **June 15, 2022**, amendments remove the partial disabled veterans' property tax exemption, adds a 10-year sunset clause and adds section 41 language relating to State Board of Equalization (BOE) reporting requirements regarding the exemption.

Fiscal Impact Summary: Indeterminable, but likely to result in increased local property tax revenue loss statewide.

Existing Law: The California Constitution² authorizes the Legislature to exempt partially or fully from property tax, the principal residence of a veteran and/or a veteran's spouse, including an unmarried surviving spouse, that has incurred certain injuries during military service, including blindness in both eyes, lost use of 2 or more limbs, or totally disabled. The exemption also applies if a person has, because of a service-connected injury or disease, died while on active duty in military service. This exemption is commonly referred to as the "disabled veterans' exemption." Under current law, there is a basic disabled veteran's exemption and a low-income disabled veteran's exemption.

Section 277³ requires that anyone claiming the disabled veterans' exemption must file a claim with the County Assessor.

Currently, a disabled veteran must have a USDVA disability rating of 100 percent to be eligible for the exemption.

Proposed Law: A New Disabled Veterans' Exemption. This bill adds section 205.5.1 which would provide a new disabled veterans' property tax exemption in lieu of the current disabled veterans' property tax exemption that is authorized under section 205.5 and provided by subdivisions (o), (p), (q), and (r) of section 3 of article XIII of the California Constitution, and any other real property tax exemption to which the claimant may be entitled.

¹ All statutory references are to the Revenue and Taxation Code, unless otherwise provided.

² Article XIII, [section 4\(a\)](#) of the California Constitution and RTC section 205.5.

³ [RTC section 277](#).

This staff analysis is provided to address various administrative, cost, revenue, and policy issues; it is not to be construed to reflect or suggest the BOE's formal position.

Provides a Full Exemption. This bill provides that if a veteran is blind in both eyes or has lost the use of two or more limbs as a result of injury or disease incurred in military service and has a 100% disability rating from the USDVA or if a veteran is totally disabled as a result of injury or disease incurred in military service then the veteran's property that constitutes the principal place of residence shall be exempt from property taxation.

Qualification of Principal Residence. This bill provides that a property is deemed to be the principal residence of a veteran, if the veteran is confined to a hospital or other care facility, if that property would be the veteran's principal residence were it not for their confinement to a hospital or care facility, provided the residence is not rented or leased to a third party. The bill defines that a family member who resides at the residence is not considered a third party.

Provides Exemption to Unmarried Surviving Spouse. This bill provides that an unmarried surviving spouse of a deceased veteran shall receive the exemption in the same amount that the veteran received if either: (1) the deceased veteran qualified for the exemption or would have qualified under the bill effective January 1, 2023 and was a resident of California on January 1 of the year in which they died; or (2) the veteran died from an injury or disease that was service-connected as determined by the USDVA, and the veteran was a resident of California on January 1 of the year in which they died.

Provides Exemption to Unmarried Surviving Spouse Confined to Hospital or Care Facility. This bill provides that property is deemed to be the principal place of residence of an unmarried surviving spouse of a veteran, who is confined to care, if that property would have been the surviving spouse's place of residence if it were not for their confinement to a hospital or care facility. To receive the exemption, the principal residence cannot be rented or leased to a third party.

10-Year Sunset and Operative Lien Dates. The **June 15, 2022**, amendments specify the increase in the disabled veterans' property tax exemption amount shall apply for the property tax lien dates on or after January 1, 2023, and before January 1, 2033.

Section 41 Reporting Requirements. The **June 15, 2022**, amendments add section 41 annual reporting requirements on the BOE to provide data from County Assessors, to the extent data is available, to quantify the amount of assessed value exemption and the number and type of taxpayers granted this exemption. The BOE must submit a report to the Legislature by June 1, 2024, and every June 1 thereafter until June 1, 2033, reporting the data so the Legislature may determine the exemption's efficacy.

County Assessors. To receive the exemption provided by this bill, a claimant shall provide the County Assessor documentation, including a letter from the USDVA or the military service from which the veteran was discharged demonstrating the veteran's disability.

Definitions. This bill defines several terms relating to veterans, principal residence, and the exemption.

No Reimbursement. The state shall not reimburse any local agency for any property tax revenues lost by the act.

Effective Immediately. The bill shall go into immediate effect if signed.

In General: California law provides a qualified disabled veteran and/or their spouse, or their unmarried surviving spouse with a property tax exemption that applies to their principal residence's assessed value. Exemption eligibility provisions require that the claimant obtain a USDVA disability rating that either (1) rates the veteran's disability at 100 percent or (2) rates the veteran's disability compensation at 100

percent because the veteran is unable to secure and maintain gainful employment.

The law also allows unmarried surviving spouses to receive the exemption if the veteran's death was service connected. To be eligible for the exemption, unmarried surviving spouses must receive a USDVA determination that the veteran's death was service connected. A USDVA determination is necessary for (1) active-duty personnel deaths and (2) veterans without a 100 percent rating when alive, but whose cause of death is deemed service connected. Surviving spouses of veterans with a 100 percent disability rating during their lifetime continue to receive the exemption after the veteran's death, so long as they are not currently remarried.

The exemption amount depends upon the claimant's income. For the 2023 lien date, the basic exemption amount adjusted for inflation, is \$161,083. However, if the claimant's household income is less than \$72,335, the low-income exemption amount is \$241,627.⁴ For the 2021 assessment year, a total of 63,968 disabled veterans, their spouses, or their unmarried surviving spouses were granted the exemption.⁵

Commentary:

- 1. Exemption Amounts.** Under current statute, disabled veterans may receive a basic exemption or a low-income exemption if they meet income requirements. The original \$100,000 basic exemption and \$150,000 low-income exemption amounts have been annually updated for inflation. For the 2023 lien dates, the disabled veterans' basic exemption amount is \$161,083 and the low-income exemption amount is \$241,627 for disabled veterans with an annual household income of less than \$72,335. Veterans who are totally disabled because of an injury or disease incurred in military service or who are blind or lost the use of two or more limbs and have a 100% disability rating would have their property exempt from taxation. These veterans would benefit under the increased exemption.
- 2. Section 41 Reporting Requirements.** The **June 15, 2022**, amendments add section 41 reporting requirements to the BOE so the Legislature may examine the efficacy of the increased disabled veterans' property tax exemption. The BOE would request data from County Assessors, to the extent the data is available from counties, the amount of assessed value exemption and the number and type of taxpayers granted this exemption. Currently, the BOE's Open Data Portal (ODP) Table 8 reports the number of taxpayers who receive the disabled veterans' property tax exemption and the amount of assessed value exemption by county. There is ambiguity of what is meant by "type of taxpayers." Does this mean whether a disabled veteran or their spouse claimed the exemption? Or could it mean the distinctive branches a veteran served in? This particular data may be unavailable from counties as it's likely not tracked. Currently, taxpayers that receive the exemption must meet the stringent statutory standards of section 205.5 of being totally disabled. The author may wish to clarify what is meant by "type of taxpayers" so the BOE and County Assessors may report data accurately where possible.
- 3. Code Section Clean-Up.** Should SB 1357 be signed into law, references to RTC section 205.5 in RTC sections 69.5 and 69.6, relating to change in ownership, would need to be updated to also reflect the new code section 205.5.1 as proposed in this bill.

⁴ Board of Equalization, [Letter To Assessors No. 2022/018](#), April 28, 2022.

⁵ Board of Equalization, Open Data Portal, [Table 8](#). The 2021 data is the most current the BOE data available to the BOE.

4. **Who is Family?** The bill provides the disabled veterans' exemption to a veteran or a surviving unmarried spouse if they are confined to a hospital or care facility if that property would have been their principal residence if they were not confined to care and if the property is not currently rented or leased to a third party. The bill specifies a family member is not a third party but does not specify what family members qualify. Is the intent to apply this to only immediate family members like spouses, children, and grandchildren? For distant relatives, would the claimant be required to submit extensive family documentation to County Assessors to prove familial relationships? Other property tax benefits such as those under Proposition 19 are limited based on certain family relationships. The author may wish to consider defining family members for purposes of this exemption.
5. **Related Legislation. SB 1073** (Grove) would allow a partial disabled veterans' exemption based upon a veteran's disability rating percentage from the USDVA or the military service from which the veteran was discharged. **AB 2898** (Vince Fong) would increase the base exemption amounts that would then be adjusted for inflation.

Costs: The BOE would incur costs of approximately \$1,734 and 21 personnel hours to update claim forms; amend the annual Letter to Assessors, which provides annual exemption amounts, adjusted for inflation, and the annual household income limit, adjusted for inflation; update the Disabled Veterans' page on the BOE's website; and update Assessors' Handbook [Section 260](#), *General Exemptions*.

Revenue Impact:

Current Exemption

Existing property tax law provides a disabled veterans' exemption to military personnel and/or their spouses, or their unmarried surviving spouse, in the event of a service-connected injury, disease, or death, as specified. The law provides a basic exemption amount of \$100,000 and a low-income exemption amount of \$150,000 if the claimant's annual household income does not exceed \$40,000, with all amounts adjusted for inflation. For the 2023 lien date, the basic exemption amount is \$161,083. The low-income exemption amount is \$241,627 for claimants with an annual household income below \$72,335. The total qualifying basic exemption value reported by BOE for FY 2020-21 was \$8.1 billion, and low-income exemption value was \$1 billion, adding to total \$9.1 billion. At the 1% basic rate, this amounts to an estimated \$91 million in revenue loss (1% × \$9.1 billion).

Analysis

SB 1357 would exempt from taxation property that is the principal place of residence owned by a veteran who is blind in both eyes or has lost the use of two or more limbs as a result of injury or disease incurred in military service and has a 100% disability rating from the USDVA and to veterans that are totally disabled as a result of injury or disease incurred in military service.

Under current statute, these veterans either receive the basic exemption or the low-income exemption, if they meet household income requirements. It is unknown the full value of these properties that currently receive the exemption and the difference between the exemption amount currently received and the new exemption amount proposed by this bill. It is difficult to estimate increased local property tax revenue loss from the increased exemption to these veterans, but it is likely these properties have a full value greater than the current exemption amounts.