



Legislative Bill Analysis

[Assembly Bill 1715](#) (Muratsuchi)
Date: August 23, 2022 (Amended)
Program: Property Taxes
Revenue and Taxation Code section 205.5
Effective: January 1, 2023

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Summary: Adds Space Force to the list of military branches that are eligible for veterans to receive the disabled veterans' property tax exemption and makes other technical and non-substantive changes.¹

Summary of Amendments: The **August 23, 2022**, amendments add Space Force to an education code provision relating to fee waivers.

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, loss of use of two 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.

Revenue and Taxation Code (RTC) 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 United States Department of Veterans Affairs (USDVA) disability rating of 100 percent to be eligible for the exemption.

Proposed Law: Adds a New Military Branch to the Disabled Veterans' Exemption. The **June 9, 2022**, amendments add Space Force to the list of military branches that are eligible for veterans to receive the disabled veterans' property tax exemption.

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

¹ While the bill's amendments affect other code sections, this analysis will only consider RTC section 205.5.

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

³ [RTC section 277](#).

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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 \$72,3385, 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. **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. The bill was held on the Senate Appropriations Committee suspense file. **AB 2898** (Vince Fong) would increase the base exemption amounts that would then be adjusted for inflation. The bill was held on the Assembly Appropriations Committee suspense file. **SB 1357** (Archuleta) adds section 205.5.1 to the RTC, which would increase the disabled veterans' exemption amount for property tax lien dates occurring on or after January 1, 2023. The bill is currently pending in the Assembly.

Costs: The State Board of Equalization (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: 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 2022 lien date, the basic exemption amount is \$149,993. The low-income exemption amount is \$224,991 for claimants with an annual household income below \$67,355. Under the existing law, the total qualifying basic exemption value reported by BOE for fiscal year 2020-21⁶ was \$8.1 billion, and low-income exemption value was \$1 billion, adding to total \$9.1

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

⁵ Board of Equalization, Open Data Portal, [Table 8](#).

⁶ The most current data for the disabled veterans' property tax exemption is for the fiscal year 2021-22.

billion. At the 1% basic rate, this amounts to an estimated \$91 million in revenue loss ($1\% \times \$9.1$ billion). The additional revenue loss from the inclusion of the Space Force branch of the military is indeterminable, as the number of Space Force veterans living in California would be eligible for the disabled veterans' exemption is unknown.