



Senate California Legislature

Mike Morrell

Senator, Twenty-Third District

SB 562: Disabled Veterans Property Tax Exemptions

BILL SUMMARY

SB 562 would increase property tax exemptions for disabled veterans, in order to keep up with the rising cost of housing in California.

BACKGROUND

California has granted property tax exemptions to disabled veterans since the 1970s, however, the value of exemptions have not kept up with the rising cost of housing. The original exemption in 1972 covered nearly one-third of the average home value. The increasing exemptions are failing to meet the needs of disabled veterans who are now paying significantly more for houses and taxes than the veterans of the 1970s. This bill contains two different exemptions, to address the majority of veterans as well as low-income veterans.

The Basic exemption would be increased from \$134,706 to \$200,000 and the Low Income exemption would increase from \$202,060 to \$250,000. Both rates would keep up with inflation moving forward. These exemptions are only available to veterans with a 100% disability rating, blind veterans, and veterans missing two or more limbs.

PROBLEM

Housing prices in California are continuing to rise, and property taxes rise with them. Many of California's disabled veterans are living off of small pensions and are losing the ability to keep up with a mortgage payment and the associated property taxes.

This problem is having a greater impact on the more recently separated veterans, from the post-9/11 era who are looking to return to California after their service and purchase a home. However, this does not mean that the

Vietnam era veterans are not struggling to keeping up with the cost of housing.

The permanently and severely disabled veterans who would benefit from this bill are completely unable to work after their time in service. Their incomes rely solely on the small pensions they receive from the Department of Veterans Affairs. These pensions do not keep up with the rising cost of living, especially in California. California needs to ensure that disabled veterans do not have to worry about losing their home because they cannot keep up with their property taxes.

SOLUTION

SB 562 would ensure that disabled veterans will be able to maintain the cost of housing in California by increasing the amount of property tax exemptions granted to disabled veterans.

SUPPORT

American GI Forum of California
AMVETS – Department of California
California Assn of County Veterans Service Officers
California State Commanders Veterans Council
Military Officers Assn of America-California
Vietnam Veterans of America
Veterans of Foreign Wars – California
Homes for the Troops

BILL STATUS

Introduced – 2/22/2019

Senate Gov & Finance hearing – 4/3/2019 PASS (6-0)

Senate Veterans Affairs – 4/23/2019 Pass (7-0)

Senate Appropriations – 5/16/2019 Pass (6-0)

Senate Floor – 5/23/2019 – Pass on Consent (38-0)

Assembly Revenue and Taxation – 6/17/2019

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Updated: 6/11/2019

AMENDED IN SENATE MARCH 25, 2019

SENATE BILL

No. 562

Introduced by Senator Morrell

(Coauthors: Senators Bates, Chang, and ~~Nielsen~~ Nielsen, and Wilk)

(Coauthors: Assembly Members ~~Dahle and Mathis~~ Choi, Dahle, Gray,
Mathis, and Voepel)

February 22, 2019

An act to amend Section 205.5 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 562, as amended, Morrell. Property taxation: exemption: principal residence: veterans and their unmarried surviving spouses.

Existing property tax law, pursuant to the authorization of the California Constitution, provides a disabled veteran's property tax exemption for the principal place of residence of a veteran, the veteran's spouse, or the veteran and veteran's spouse jointly, and the unmarried surviving spouse of a veteran, as provided, if the veteran is blind in both eyes, has lost the use of 2 or more limbs, or is totally disabled as a result of injury or disease incurred in military service, or if the veteran has, as a result of a service-connected injury or disease, died while on active duty in military service. Existing law exempts that part of the full value of the residence that does not exceed \$100,000, or \$150,000 if the household income of the claimant does not exceed \$40,000, as adjusted for inflation, as specified.

This bill, for the ~~2020-21~~ 2020-21 fiscal year and for each fiscal year thereafter, would increase these exemption amounts to \$200,000, or \$250,000 if the household income of the claimant does not exceed \$40,000, \$65,000, as adjusted for inflation.

Existing law requires the state to reimburse local agencies annually for certain property tax revenues lost as a result of any exemption or classification of property for purposes of ad valorem property taxation.

This bill would provide that, notwithstanding those provisions, no appropriation is made and the state shall not reimburse local agencies for property tax revenues lost by them pursuant to the bill.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 205.5 of the Revenue and Taxation Code
2 is amended to read:

3 205.5. (a) Property that constitutes the principal place of
4 residence of a veteran, that is owned by the veteran, the veteran's
5 spouse, or the veteran and the veteran's spouse jointly, is exempted
6 from taxation on that part of the full value of the residence that
7 does not exceed two hundred thousand dollars (\$200,000), as
8 adjusted for the relevant assessment year as provided in subdivision
9 (h), if the veteran is blind in both eyes, has lost the use of two or
10 more limbs, or if the veteran is totally disabled as a result of injury
11 or disease incurred in military service. The two hundred thousand
12 dollar (\$200,000) exemption shall be two hundred fifty thousand
13 dollars (\$250,000) as adjusted for the relevant assessment year as
14 provided in subdivision (h), in the case of an eligible veteran whose
15 household income does not exceed the amount of ~~forty thousand~~
16 ~~dollars (\$40,000)~~, *sixty-five thousand dollars (\$65,000)*, as adjusted
17 for the relevant assessment year as provided in subdivision (g).

18 (b) (1) For purposes of this section, "veteran" means either of
19 the following:

20 (A) A person who is serving in or has served in and has been
21 discharged under other than dishonorable conditions from service
22 in the United States Army, Navy, Air Force, Marine Corps, or
23 Coast Guard, and served either in time of war or in time of peace
24 in a campaign or expedition for which a medal has been issued by
25 Congress, or in time of peace and because of a service-connected
26 disability was released from active duty, and who has been
27 determined by the United States Department of Veterans Affairs
28 to be eligible for federal veterans' health and medical benefits.

(B) Any person who would qualify as a veteran pursuant to subparagraph (A) except that the person, as a result of a service-connected injury or disease, died while on active duty in military service. The United States Department of Veterans Affairs shall determine whether an injury or disease is service connected.

(2) For purposes of this section, property is deemed to be the principal place of residence of a veteran, disabled as described in subdivision (a), who is confined to a hospital or other care facility, if that property would be that veteran's principal place of residence were it not for confinement of the veteran to a hospital or other care facility, provided that the residence is not rented or leased to a third party. For purposes of this paragraph, a family member who resides at the residence is not a third party.

(c) (1) Property that is owned by, and that constitutes the principal place of residence of, the unmarried surviving spouse of a deceased veteran is exempt from taxation on that part of the full value of the residence that does not exceed two hundred thousand dollars (\$200,000), as adjusted for the relevant assessment year as provided in subdivision (h), in the case of a veteran who was blind in both eyes, had lost the use of two or more limbs, or was totally disabled provided that either of the following conditions is met:

(A) The deceased veteran during the veteran's lifetime qualified for the exemption pursuant to subdivision (a), or would have qualified for the exemption under the laws effective on January 1, 1977, except that the veteran died prior to January 1, 1977.

(B) The veteran died from a disease that was service connected as determined by the United States Department of Veterans Affairs.

The two hundred thousand dollar (\$200,000) exemption shall be two hundred fifty thousand dollars (\$250,000), as adjusted for the relevant assessment year as provided in subdivision (h), in the case of an eligible unmarried surviving spouse whose household income does not exceed the amount of ~~forty thousand dollars (\$40,000)~~, *sixty-five thousand dollars (\$65,000)*, as adjusted for the relevant assessment year as provided in subdivision (g).

(2) Commencing with the 1994–95 fiscal year, property that is owned by, and that constitutes the principal place of residence of, the unmarried surviving spouse of a veteran as described in subparagraph (B) of paragraph (1) of subdivision (b) is exempt from taxation on that part of the full value of the residence that does not exceed two hundred thousand dollars (\$200,000), as

1 adjusted for the relevant assessment year as provided in subdivision
2 (h). The two hundred thousand dollar (\$200,000) exemption shall
3 be two hundred fifty thousand dollars (\$250,000), as adjusted for
4 the relevant assessment year as provided in subdivision (h), in the
5 case of an eligible unmarried surviving spouse whose household
6 income does not exceed the amount of ~~forty thousand dollars~~
7 ~~(\$40,000)~~, *sixty-five thousand dollars (\$65,000)*, as adjusted for
8 the relevant assessment year as provided in subdivision (g).

9 (3) Beginning with the 2012–13 fiscal year and for each fiscal
10 year thereafter, property is deemed to be the principal place of
11 residence of the unmarried surviving spouse of a deceased veteran,
12 who is confined to a hospital or other care facility, if that property
13 would be the unmarried surviving spouse’s principal place of
14 residence were it not for confinement of the unmarried surviving
15 spouse to a hospital or other care facility, provided that the
16 residence is not rented or leased to a third party. For purposes of
17 this paragraph, a family member who resides at the residence is
18 not a third party.

19 (d) As used in this section, “property that is owned by a veteran”
20 or “property that is owned by the veteran’s unmarried surviving
21 spouse” includes all of the following:

22 (1) Property owned by the veteran with the veteran’s spouse as
23 a joint tenancy, tenancy in common, or as community property.

24 (2) Property owned by the veteran or the veteran’s spouse as
25 separate property.

26 (3) Property owned with one or more other persons to the extent
27 of the interest owned by the veteran, the veteran’s spouse, or both
28 the veteran and the veteran’s spouse.

29 (4) Property owned by the veteran’s unmarried surviving spouse
30 with one or more other persons to the extent of the interest owned
31 by the veteran’s unmarried surviving spouse.

32 (5) That portion of the property of a corporation that constitutes
33 the principal place of residence of a veteran or a veteran’s
34 unmarried surviving spouse when the veteran, or the veteran’s
35 spouse, or the veteran’s unmarried surviving spouse is a
36 shareholder of the corporation and the rights of shareholding entitle
37 one to the possession of property, legal title to which is owned by
38 the corporation. The exemption provided by this paragraph shall
39 be shown on the local roll and shall reduce the full value of the
40 corporate property. Notwithstanding any law or articles of

1 incorporation or bylaws of a corporation described in this
2 paragraph, any reduction of property taxes paid by the corporation
3 shall reflect an equal reduction in any charges by the corporation
4 to the person who, by reason of qualifying for the exemption, made
5 possible the reduction for the corporation.

6 (e) For purposes of this section, being blind in both eyes means
7 having a visual acuity of 5/200 or less, or concentric contraction
8 of the visual field to 5 degrees or less; losing the use of a limb
9 means that the limb has been amputated or its use has been lost
10 by reason of ankylosis, progressive muscular dystrophies, or
11 paralysis; and being totally disabled means that the United States
12 Department of Veterans Affairs or the military service from which
13 the veteran was discharged has rated the disability at 100 percent
14 or has rated the disability compensation at 100 percent by reason
15 of being unable to secure or follow a substantially gainful
16 occupation.

17 (f) An exemption granted to a claimant pursuant to this section
18 shall be in lieu of the veteran's exemption provided by subdivisions
19 (o), (p), (q), and (r) of Section 3 of Article XIII of the California
20 Constitution and any other real property tax exemption to which
21 the claimant may be entitled. No other real property tax exemption
22 may be granted to any other person with respect to the same
23 residence for which an exemption has been granted pursuant to
24 this section; provided, that if two or more veterans qualified
25 pursuant to this section coown a property in which they reside,
26 each is entitled to the exemption to the extent of their interest.

27 (g) Commencing on January 1, 2002, and for each assessment
28 year thereafter, the household income limit shall be compounded
29 annually by an inflation factor that is the annual percentage change,
30 measured from February to February of the two previous
31 assessment years, rounded to the nearest one-thousandth of 1
32 percent, in the California Consumer Price Index for all items, as
33 determined by the California Department of Industrial Relations.

34 (h) Commencing on January 1, 2021, and for each assessment
35 year thereafter, the exemption amounts set forth in subdivisions
36 (a) and (c) shall be compounded annually by an inflation factor
37 that is the annual percentage change, measured from February to
38 February of the two previous assessment years, rounded to the
39 nearest one-thousandth of 1 percent, in the California Consumer

1 Price Index for all items, as determined by the California
2 Department of Industrial Relations.

3 (i) The amendments made to this section by Chapter 871 of the
4 Statutes of 2016 shall apply for property tax lien dates for the
5 2017–18 fiscal year and for each fiscal year thereafter.

6 (j) The amendments made to this section by the act adding this
7 subdivision shall apply for property tax lien dates for the 2020–21
8 fiscal year and for each fiscal year thereafter.

9 SEC. 2. Notwithstanding Section 2229 of the Revenue and
10 Taxation Code, no appropriation is made by this act and the state
11 shall not reimburse any local agency for any property tax revenues
12 lost by it pursuant to this act.

13 SEC. 3. This act provides for a tax levy within the meaning of
14 Article IV of the California Constitution and shall go into
15 immediate effect.

Senate Bill 562 (Morrell)
Date: March 25, 2019 (Amended)
Program: Property Taxes
Sponsor: Author
Revenue and Taxation Code Section 205.5
Effective: Upon chaptering

Mark Durham (Chief) 916.319.9220
Glenna Schultz (Analyst) 916.274.3362
Chris Butler (Revenue) 916.323.3800

Summary: For the 2020-21 fiscal year, this bill would increase the disabled veterans' exemption amounts to (1) \$200,000 for the basic exemption, and (2) \$250,000 for the lower income exemption, and increases the household income limit to \$65,000.

Summary of Amendments: This bill has been amended to also increase the household income limit to \$65,000, adjusted for inflation.

Fiscal Impact Summary: This bill would result in a potential annual revenue loss of \$21.5 million.

Existing Law: The California Constitution¹ authorizes the Legislature to exempt partially or fully from property tax, the home of a person or spouse, including an unmarried surviving spouse, if the person has incurred certain injuries, including blindness in both eyes, lost use of 2 or more limbs, or is totally disabled. The exemption also applies if a person's death is from a service-connected injury or disease, or occurs while on active duty in military service. This exemption is commonly referred to as the "disabled veterans' exemption."

Statutory Exemption Amount. Current law² contains a partial³ exemption. For the 2019-20 fiscal year, persons with household incomes below \$62,614 may receive an exemption of \$209,156 (called the "lower income" exemption). For all other eligible persons, the exemption amount is \$139,437 (called the "basic" exemption).⁴

Proposed Law: Beginning with the 2020-21 fiscal year, this bill increases the limits for the disabled veterans' exemption as follows:

- The basic exemption of \$100,000 is increased to \$200,000.
- The lower income exemption of \$150,000 is increased to \$250,000.
- The household income limit for the lower income exemption is increased from \$40,000 to \$65,000.

These new limits will be annually adjusted by an inflation factor beginning with the 2021-22 fiscal year.

In General: California law provides qualified disabled veterans, their spouses, or their unmarried surviving spouses with a property tax exemption that applies to their home's assessed value. To be

¹ [Section 4\(a\)](#) of article XIII of the California Constitution.

² Revenue and Taxation Code (RTC) section [205.5](#).

³ This may be considered a full exemption for some veterans, depending on the assessed value of the home.

⁴ This is the current exemption amount and income threshold. Since 2002, RTC section 205.5(g) allows a compounding inflation factor to apply to the \$40,000 income threshold. Since 2006, RTC section 205.5(h) allows a compounding inflation factor to apply to the \$150,000 and \$100,000 amounts. Letter To Assessors No. [2018/021](#), dated May 4, 2018, lists exemption amounts and the household income limitations effective for lien dates 2002 through 2019.

*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.*

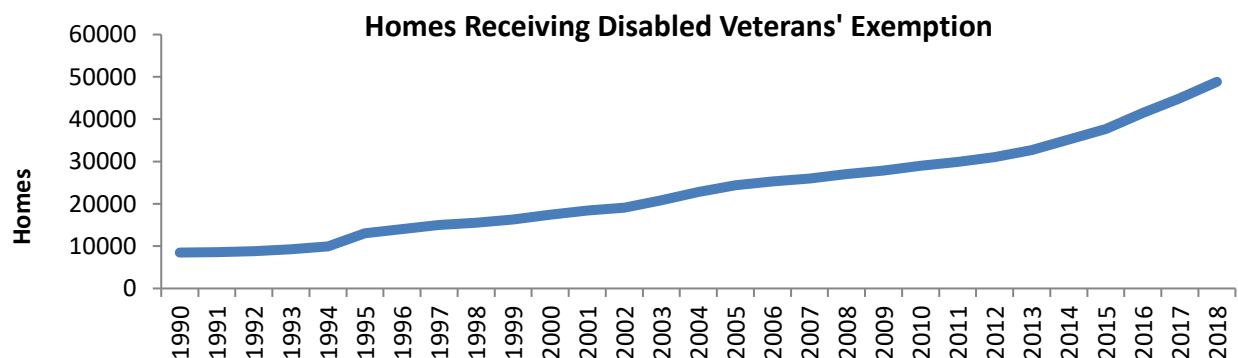
eligible, the claimant must obtain a United States Department of Veterans Affairs (USDVA) disability rating that either (1) rates the veteran's disability at 100 percent or (2) rates the veteran's disability compensation at 100 percent because the veteran is unable to secure and maintain gainful employment.

The law also allows surviving spouses to receive the exemption if the spouse's death was service connected. To be eligible for the exemption, surviving spouses must receive a USDVA determination that the spouse's death was service-connected. A USDVA determination is necessary for (1) active duty personnel deaths (i.e., the service person was not a "veteran") 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 the surviving spouse does not remarry.

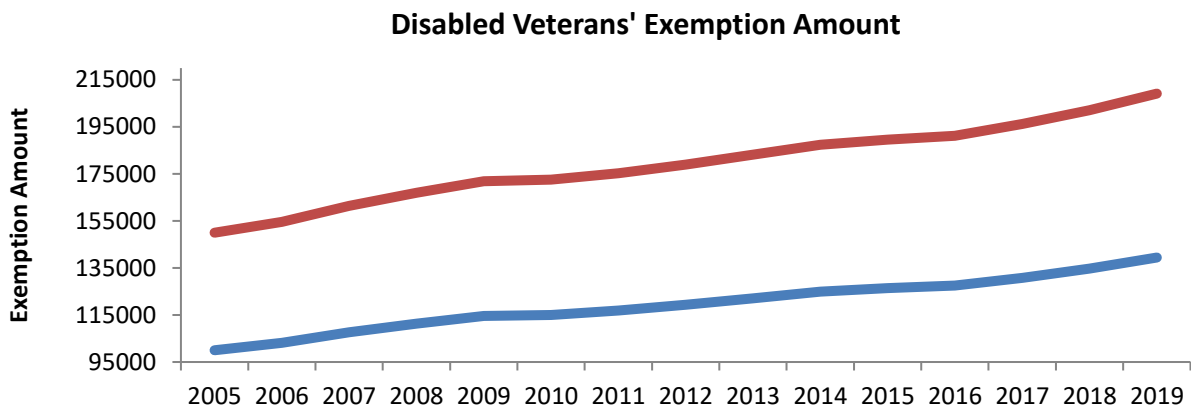
The exemption amount depends upon the claimant's income. For the 2018-19 fiscal year, 48,829 disabled veterans or their unmarried surviving spouses were granted the exemption. For those persons, the basic exemption adjusted for inflation was \$134,706. If the claimant's income was less than \$60,490, the exemption amount was \$202,060.

Qualification	Basic Exemption Amount	Lower Income Exemption Amount
	No income limit	Income is less than \$60,490
Disabled Veteran <ul style="list-style-type: none"> Disability Rating = 100% Disability Compensation = 100% Blind Lost the Use of Two or More Limbs Spouse of Military Personnel <ul style="list-style-type: none"> Surviving Spouse: Disabled Veteran Surviving Spouse: Active Duty Death Surviving Spouse: Posthumous service-connected death finding 	\$100,000 adjusted for inflation \$134,706	\$150,000 adjusted for inflation \$202,060
Claims Granted: 48,829	44,292	4,537

In 1990, there were 8,483 disabled veterans' exemptions provided to eligible homeowners, while in 2018, there were 48,829. In the last 28 years, this is a 475 percent increase.



After 2005, the law allowed the \$100,000 and \$150,000 exemption amounts to annually increase by an inflation factor.



Background: The California Constitution provides that all property is taxable unless exempted by either the Constitution or federal law. The Constitution (1) limits the maximum amount of any ad valorem tax on real property at one percent of full cash value, plus any locally-authorized bonded indebtedness, and (2) provides that assessors can only reappraise property whenever it is purchased, newly constructed, or when ownership changes (Proposition 13, 1978). Proposition 13 also limits the inflationary growth of real property assessed value to two percent per year.

Legislative History. The following table lists the most recent proposals to increase the disabled veterans' exemption.

Year	Bill	Proposal
2016	AB 1556 (Mathis)	Increase to \$2.1 million
2016	SB 1183 (Bates)	Increase to \$1 million
2007	AB 1485 (Jefferies)	Increase to \$200,000 and \$250,000, as amended 5/24/2007
2004	SB 764 (Morrow)	Inflation factoring commences January 1, 2006 (Enacted)
2003	SB 764 (Morrow)	Increase to \$200,000 and \$250,000, as introduced

The following table lists the most recent proposals to replace the current exemption levels with a full exemption.

Year	Bill	Proposal
2018	AB 2254 (Lackey)	Full Exemption
2018	AB 3209 (Frazier)	Full Exemption
2017	SB 404 (Stone)	Full Exemption
2016	SB 1104 (Stone)	Full Exemption
2008	AB 2568 (Houston)	Full Exemption
2007	AB 1485 (Jefferies)	Full Exemption, as introduced
2005	SB 1005 (Florez)	Full Exemption for Spouses if Active Duty Death Full Exemption for Spouses if Public Safety Officer Death

Commentary:

1. **Author's Statement.** Housing prices in California are continuing to rise, and property taxes rise with them. Many of California's disabled veterans are living off of small pensions and are losing the ability to keep up with a mortgage payment and the associated property taxes. SB 562 would increase property tax exemptions for disabled veterans, in order to keep up with the rising cost of housing in California.
2. **Summary of Amendments.** The **March 25** amendment increases the household income limit to \$65,000.
3. **The state does not reimburse local governments for the property tax revenue loss from the Disabled Veterans' Exemption.** By contrast, the state fully reimburses local governments for the homeowners' exemption.
4. **Operative Date.** To transition to the increased exemption level at the least possible administrative cost, this bill delays the operative date to coincide with the lien date for the 2020-21 fiscal year (i.e., January 1, 2020). Otherwise, as a tax levy, this bill would take effect and become operative immediately upon enactment.
5. **How much is the exemption currently?** For the 2019-20 fiscal year, persons with household incomes below \$62,614 may receive an exemption of \$209,156. For all other eligible persons, the exemption amount is \$139,437.
6. **Household Income Limit Increase.** Effectively, this bill increases the lower income exemption amount from \$209,156 in 2019-20 to \$250,000 for 2020-21, which is a 19.5 percent increase. However, SB 562 increases the household income limit from \$62,614 in 2019-20 to \$65,000 for 2020-21, which is an increase of only 3.8 percent. Thus, increasing the household limit will have a minimal impact on the number of additional qualifying claimants for the lower income exemption.
7. **How many persons claim the disabled veterans' exemptions?** For 2018, 48,829 exemptions were granted to eligible claimants: 44,292 basic exemptions and 4,537 lower income exemptions.
8. **Top 10 Counties.** For 2018, the counties with the most disabled veterans' exemptions in descending order include: (1) San Diego: 7,159; (2) Riverside: 4,961; (3) Los Angeles: 3,477; (4) San Bernardino: 2,908; (5) Sacramento: 2,539; (6) Solano: 2,056; (7) Orange: 1,919; (8) Contra Costa: 1,242; (9) Kern: 1,171; and (10) Ventura: 1,091.
9. **Technical Amendment.** Section 4 of article XIII provides that the disabled veterans' exemption applies if a veteran's death is from a service-connected injury or disease, or occurs while on active duty in military service. The federal government provides monetary benefits to eligible survivors of veterans whose death resulted from a service-related injury or disease. The United States Department of Veterans Affairs determines whether an injury or a disease is service connected.

Thus, we suggest that RTC section 205.5(c)(1)(B) be amended as follows:

(B) The veteran died from an injury or a disease that was service connected as determined by the United States Department of Veterans Affairs.

10. **Related Legislation.** [Senate Bill 364](#) (Stone) proposes to provide a full exemption for any person eligible for the disabled veterans' exemption.

Costs: BOE would incur absorbable costs to modify forms, publications, and website materials.

Revenue Impact: Background, Methodology, and Assumptions. Existing property tax law provides a disabled veterans' exemption to military personnel, their spouses, or their unmarried surviving spouses, in the event of a service-connected injury, disease, or death, as specified. The law provides a basic exemption amount of \$100,000, but increases that amount to \$150,000 if the claimant's household income does not exceed \$40,000, with all amounts adjusted for inflation. For 2018-19, the basic exemption amount was \$134,706. The lower income exemption amount was \$202,060 for claimants with a household income below \$60,490. SB 562 increases the basic exemption amount to \$200,000 and the lower income exemption amount to \$250,000 if the claimant's household income is below \$65,000, beginning with the 2020-21 fiscal year. Under SB 562, these new amounts will be adjusted beginning with the 2021-22 fiscal year.

Staff estimated the number of disabled veteran owned homes currently receiving the exemption. In 2018-19, 48,829 disabled veterans' exemptions were granted: 44,292 at the basic level and 4,537 at the lower income level. Based on a survey of several counties, staff estimates that this bill will not impact 31 percent of homes receiving the proposed basic exemption (13,731 homes), nor 30 percent of homes receiving the proposed lower income exemption (1,361 homes). These homes would be fully exempt because they have assessed values less than \$200,000 and \$250,000, respectively. As illustrated in the table below, this bill will further exempt 33,737 homes: 30,561 homes (44,292-13,731) currently receiving the basic exemption and 3,176 homes (4,537-1,361) currently receiving the lower income exemption.

Disabled Vet Exemption Type	Total Homes Currently Granted Disabled Vet Exemption	Estimated Number of Homes Already Fully Exempt	Estimated Number of Homes Affected by the Increased Exemption Limits in SB 562
Basic	44,292	13,731	30,561
Lower Income	4,537	1,361	3,176
Total	48,829	15,092	33,737

Staff then estimated the additional amount of assessed value that this bill will exempt by subtracting the current exemption limits from the limits proposed by SB 562. The affected difference in value and revenue loss at the basic 1 percent property tax rate is then:

Disabled Vet Exemption Type	SB 562 Proposed Disabled Vet Exemption Limits	Current Disabled Vet Exemption Limits	Proposed Exemption Increase	Basic Tax Rate	Estimated Tax Savings Per Home	Estimated Number of Homes Affected by the Increased Exemption Limits in SB 562	Estimated Annual Revenue Loss
Basic	\$200,000	\$134,706	\$65,294	1%	\$653	30,561	\$20.0 Million
Lower Income	\$250,000	\$202,060	\$47,940	1%	\$479	3,176	\$1.5 Million
Total						33,737	\$21.5 Million

Revenue Summary. SB 564 would result in a potential annual revenue loss of \$21.5 million.

Qualifying Remarks. Increasing the household income limit for the 2020-21 fiscal year will have minimal impact on the number of additional qualifying claimants for the lower income exemption, as the 2018-19 household income limit increased to \$60,490, and the 2019-20 limit increased to \$62,614. The revenue estimate does not account for any changes in economic activity that may or may not result from enactment of the proposed law.

THIRD READING

Bill No: SB 562
Author: Morrell (R), et al.
Amended: 3/25/19
Vote: 21

SENATE GOVERNANCE & FIN. COMMITTEE: 6-0, 4/3/19
AYES: McGuire, Moorlach, Beall, Hertzberg, Hurtado, Wiener
NO VOTE RECORDED: Nielsen

SENATE VETERANS AFFAIRS COMMITTEE: 7-0, 4/23/19
AYES: Archuleta, Grove, Hurtado, Nielsen, Roth, Umberg, Wilk

SENATE APPROPRIATIONS COMMITTEE: 6-0, 5/16/19
AYES: Portantino, Bates, Bradford, Hill, Jones, Wieckowski

SUBJECT: Property taxation: exemption: principal residence: veterans and
their unmarried surviving spouses

SOURCE: Author

DIGEST: This bill increases the disabled veterans' exemption from property tax, and the threshold below which disabled veterans are eligible for a higher exemption

ANALYSIS:

Existing law:

- 1) Provides that all property is taxable unless explicitly exempted by the Constitution or federal law (California Constitution, Article XIII).
- 2) Authorizes the Legislature to exempt partially or fully from property tax, the home of a disabled veteran – or the veteran's spouse, including an unmarried surviving spouse – if the veteran's disabling injury incurred in military service;

and the veteran is blind in both eyes; lost the use of two or more limbs; or is totally disabled (California Constitution, Article XIII, Section 4).

- a) Applies also to the veteran's spouse, including an unmarried surviving spouse, if the veteran has, as a result of a service-connected injury or disease, died while on active duty in military service.
 - b) Does not apply if the home is receiving another real property exemption.
- 3) Does not fully exclude the property value, instead enacting a partial exemption of:
- a) \$100,000 for disabled veteran taxpayers with household income of more than \$40,000, or
 - b) \$150,000 for income lower than that amount.
- 4) Directs the Department of Industrial Relations to revise the above amounts annually using the California Consumer Price Index for all items, which results in 2019 exemption amounts of \$139,437 for disabled veterans with income of more than \$62,614 in the assessment year and \$209,156 for those with less than that amount.

This bill:

- 1) Increases the disabled veterans' exemption from property tax to:
 - a) \$250,000 for taxpayers with income below the threshold, and
 - b) \$200,000 for taxpayers with income above the threshold.
- 2) Raises the income threshold to \$65,000 in the assessment year, below which the disabled veteran can claim the higher exemption.
- 3) Applies its changes for the 2020-21 fiscal year.
- 4) Directs that both the exemption amount as well as the income threshold, continue to be adjusted for inflation by the Department of Industrial Relations using the California Consumer Price Index for all items.
- 5) Makes technical changes.

Background

The state backfills local agencies for property tax revenue losses resulting from taxpayers applying the homeowners' exemption, but not the disabled veterans' exemption. According to the Board of Equalization (BOE), the number of taxpayers claiming the exemption has increased from 8,483 to 37,653 between 1990 and 2015, an increase of 344%. San Diego (5,391), San Bernardino (3,732), and Sacramento (2,422) are the counties with the most taxpayers claiming the exemption.

Generally, property tax exemptions do not depend on the taxpayer's income; however, the different disabled veterans' exemption amounts based on income were first enacted by the Legislature when it allowed a greater exemption (\$15,000 at the time) for disabled veterans with income sufficiently low to qualify for the Property Tax Postponement Program in 1978. The Legislature maintained the distinction when it fixed the current exemption amounts in 1989, and applied the inflation adjustment in 2000.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee, BOE indicates that this bill would result in annual property tax revenue losses of \$22 million. Reductions in local property tax revenues, in turn, increase General Fund Proposition 98 spending by up to roughly 50 percent (the exact amount depends on the specific amount of the annual Proposition 98 guarantee, which in turns depends upon a variety of economic, demographic and budgetary factors).

SUPPORT: (Verified 5/17/19)

American G.I. Forum of California
Amvets, Department of California
California Assessors' Association
California Association of County Veterans Service Officers
California Association of Veteran Service Agencies
California State Commanders Veterans Council
Homes for Our Troops
Military Officers Association of America, California Council of Chapters
Vietnam Veterans of America, California State Council

OPPOSITION: (Verified 5/17/19)

None received

ARGUMENTS IN SUPPORT: According to the author, “According to the author, “The median home price in California is \$538,690 and continues to rise. The property taxes for a home of this value exceed more than \$5,000 per year. Unfortunately, the property tax exemptions for disabled veterans have not kept up with the increasing costs of homeownership in California. When disabled veterans were first granted a property tax exemption in 1974, the median home price was \$34,610. The property tax exemption in 1974 was \$10,000 – nearly one-third of the cost of the home. SB 562 would increase the property tax exemptions for disabled veterans, which would allow the exemptions to keep up with the rising cost of living in California. This bill will make the prospect of homeownership more of a reality for newly returning disabled service members, while also providing relief to Vietnam-era veterans who are living solely on the pension they receive.”

Prepared by: Colin Grinnell / GOV. & F. / (916) 651-4119
5/18/19 12:13:43

**** END ****


[Home](#)
SB-562 Property taxation: exemption: principal residence: veterans and their unmarried surviving spouses. (2019-2020)

Date	Result	Location	Ayes	Noes	NVR	Motion
05/23/19	(PASS)	Senate Floor	38	0	0	Special Consent SB562
		Ayes: Allen, Archuleta, Atkins, Bates, Beall, Borgeas, Bradford, Caballero, Chang, Dodd, Durazo, Galgiani, Glazer, Grove, Hertzberg, Hill, Hueso, Hurtado, Jackson, Jones, Leyva, McGuire, Mitchell, Monning, Moorlach, Morrell, Nielsen, Pan, Portantino, Roth, Rubio, Skinner, Stern, Stone, Umberg, Wieckowski, Wiener, Wilk				
		Noes:				
		No Votes Recorded:				
05/16/19	(PASS)	Sen Appropriations	6	0	0	Do pass
		Ayes: Bates, Bradford, Hill, Jones, Portantino, Wieckowski				
		Noes:				
		No Votes Recorded:				
05/06/19	(PASS)	Sen Appropriations	5	0	1	Placed on suspense file
		Ayes: Bates, Hill, Jones, Portantino, Wieckowski				
		Noes:				
		No Votes Recorded: Bradford				
04/23/19	(PASS)	Sen Veterans Affairs	7	0	0	Do pass, but first be re-referred to the Committee on [Appropriations]
		Ayes: Archuleta, Grove, Hurtado, Nielsen, Roth, Umberg, Wilk				
		Noes:				
		No Votes Recorded:				
04/03/19	(PASS)	Sen Governance and Finance	6	0	1	Do pass, but first be re-referred to the Committee on [Veterans Affairs]
		Ayes: Beall, Hertzberg, Hurtado, McGuire, Moorlach, Wiener				
		Noes:				
		No Votes Recorded: Nielsen				