

AUGUST 30, 2023, REPORT OF THE STATE BOARD OF EQUALIZATION VETERANS' & HOMEOWNERS' EXEMPTION BOARD WORK GROUP.

Submitted for Board Approval: September 26, 2023, Board Meeting, Agenda Item 7.

1. Introduction.

Hon. Antonio Vazquez, Co-Chair, Member, Third District

Mr. Vazquez instructed Ms. Catherine Taylor to announce speakers for the Veterans' Exemption Workgroup.

2. BOE Overview of Guidance on the Application of the Veterans' Organization Exemption for Buildings and Property Owned by a Veterans' Organization: Use Issues.

2.a. BOE overview of the exemptions, responsibilities, federal statutory updates, and issues regarding use.

Ms. Yvette Stowers, Executive Director, BOE

Ms. Stowers provided introductory remarks, emphasized the importance of the workgroup, and introduced Mr. David Yeung to assist in the discussion and provide an overview of the Veterans' Exemption.

Mr. David Yeung, Deputy Director, Property Tax Department, BOE

Mr. Yeung provided brief, high-level overview of the Veterans' Exemption according to the RTC section 205 and 205.5 limitations. He further explained the history and constitutional limitations of the Disabled Veterans' Exemption; stating that as of 2024, it is \$179,000 for 100% disability rated veterans. If a disabled veteran is also low income, the exemption amount increases to \$254,656.

In total, there were 4,800 low-income disabled veteran's exemptions granted last year—resulting in about \$1 billion dollars in value (\$10 million in property tax) taken off the rolls. There were 68,000 Disabled Veterans' Exemption granted equal to \$9 billion, taking about \$10 billion in total value (\$100 million in property taxes) off the rolls.

Mr. Yeung also provided an overview of the two-step process required for an organization to qualify for the Veterans' Organization Exemption under RTC 214, 215, 215.1: (1) They must request an Organizational Clearance Certification from the BOE; and (2) They must apply for the exemption through the local county assessor. He briefly covered the history that has generally related veterans' organizations to fraternal lodges and social clubs.

Mr. Henry Nanjo, Chief Counsel, BOE

Mr. Nanjo covered the legal aspects of the Veterans' Organizational exemption, stating that there are many court cases addressing property use, but the holdings are generally related to the specific facts and circumstances involved. In general, the cases have been inconsistent. The BOE is mainly responsible for certifying the organization and not the use of the property by the organization. The use is often the contentious portion of the exemption process and that is left to the county assessor and the organization.

2b. County Assessors Perspective

Hon. Christina Wynn, President-elect, California Assessors Association, and Sacramento County Assessor

Assessor Wynn summarized the processes and practices used by her office as they relate to granting / denying Veterans' Organization exemption applications. There are 4 Veterans' Organization properties in her county, and all are 100% exempt. The more challenging cases are handled on a case-by-case basis requiring field inspections and a well-trained staff to make an accurate determination. She stated that one of challenges is that although the claim forms seem to be clear, the veterans' organization applicants may not be providing sufficient information, and/or not filling-out the form properly. This makes it difficult for the assessor to determine how the property is actually being used.

Honorable Jim Rooney, Amador County Assessor

Assessor Rooney has one hall in the county and the only issue he sees is ensuring that the forms are filled out correctly and are turned in timely. His staff will contact the applicant to correct issues or obtain missing information in the application. It's important to avoid processing these exemption claims with wrong or omitted data. In response to a question from Member Gaines about the possible revenue impact of potential legislation, he noted that many veterans' organization properties used for veterans' activities have old base year values – so the assessment on the property is minimal. Board advice on exemptions is very significant, especially in small counties (he has a staff of 11). They rely on the BOE for correct guidance.

Mr. Antonio Castro, Jr., Chief Appraiser on behalf of Hon. Jeffrey Prang, Los Angeles County Assessor

Mr. Castro confirms that there were zero Veteran's Organizations Exemptions in LA County. Over the past several years, there were numerous claims filed, but they did not qualify due to the fact that they did not have the OCC from the BOE. He stated that the Veterans' Organizations did not go further because they indicated that the OCC process takes too long (over several months) to obtain the certificate. The Veterans' exemption claims granted was zero, since homeowners (veteran or not) would choose the larger exemption. For the disabled veterans' exception, LA County had over 5,000—a mix of basic and low income.

2c. Veterans' Organization Exemptions from the Veterans' Perspective

James Zenner, Executive Director, Military and Veterans Affairs of Los Angeles County (MilVet)

Mr. Zenner summarized the mission of his organization, and described the specific uses of its hall and facilities, including (1) patriotic and related activities with veterans' and their related organizations, (2) educational activities such seminars and workshops for veterans and families, (3) government assistance for veterans and families, (4) veterans' funerals, grief support and memorials, (5) veterans' ceremonies, elections and polling, (6) charitable fund raising activities for veterans and families and related charities, (7) assisting disabled and needy war veterans and members of the U.S. Armed Forces and their dependents, and the widows and orphans of deceased veterans; (8) providing resources for care and assistance to hospitalized veterans or members of the U.S. Armed Forces and ambulance/emergency services to the community, (9) carrying on

programs to perpetuate the memory of deceased veterans and members of the Armed Forces, and to comfort their survivors, (10) conducting programs for religious, charitable, scientific, literacy or educational purposes related to veterans and patriotism, (11) educating and providing insurance benefits for veterans or dependents, (12) providing recreational activities (such as bingo, patriotic movies, etc.) for veterans , and (13) renting a portion of the facilities to raise operating capital.

He stressed that denying them exemption status takes away the Veterans' ability to provide needed financial assistance to all veterans and their families including the homeless.

Dana Nichol, Consultant, Reeb & Associates

Mr. Nichol emphasized the importance of Veterans' Organizations halls which serve as the main meeting place for soldiers transitioning back to civilian society. The American Legion (Post) provides temporary financial assistance, personal and group counseling, suicide prevention, etc. Although these organizations are open to helping veterans, the expenses associated with the upkeep of the Veterans' facilities can be overwhelming. Some examples are:

- Post 108 in Amador reports they struggle to pay their annual property taxes and high monthly water and PG&E bills, creating challenges to keep its 100-year-old building in operation. Post 108 offer suicide prevention, awareness, housing services for homeless vets, and funeral honor guard services.
- Post 131 is a small post and faces challenges staying open due to taxation. Their income in 2022 was \$44,000; tax was \$4,000; insurance was \$8,000; \$5,481 was tax for building; and parking lot taxed \$919. There are continuing cost pressures on such posts. Post 131 hosted Red Cross functions for free. Most sources of funding came from nonprofit donations. Some additional funding enabled Post 131 to increase services to veterans and attract more members.
- Post 26 and another Post in Stockton reportedly is facing closure – due to high costs, property taxes and lack of funds.

The California Assessors' Association was in support of SB2 in 2015. Though their concern was that social service clubs, like the Elks and Rotary would clamor for similar treatment, they recognized that Veterans' Service organizations are unique, being chartered by Congress to serve a unique, prescribed mission and purpose.

In FY 2021, Veterans' Organizations helped 22 California veterans qualify for almost half a billion dollars of benefits that they will receive for the rest of their lives to help them survive and function in the local economy and contribute to the tax base.

Rodger Meier, Executive Director, Veterans of Foreign Wars, California

Mr. Meier testified that VFW is currently down to 260 VFW posts from a high of 400 VFW posts statewide. Not all the posts have halls, and he believes that the advice to assessors about not allowing them the exemption could be the cause of millions in lost revenue for them over the years. Posts have seen increases in insurance, utilities, and services that have made it difficult for them to keep their doors open. Additionally, many of the posts are old and in need of repairs. They don't have the reserves to afford to make some of these expensive repairs to their buildings. For example, Post 8900 in Fresno had a roof collapse, and now they are facing a \$50,000 bill to remove debris from

the area. On the public benefit side, California posts contributed over \$7 million to charitable causes related to veterans, their families, and communities throughout the state. That includes almost \$1.7 million in monetary donations alone. The VFW also has school scholarship program known as Voice of Democracy and the patriot's pin. Last year California posts awarded approximately \$123,000 in school/student scholarships.

VFW posts sustain themselves through donations, and holding various types of fundraising events, and occasionally renting out their halls. The funds provide for the scholarships for the veteran and their dependents' needs, such as repairs, rent, disaster relief, etc.

In addition, insurance and utility costs continue to go up, so a \$5,000 to \$9,000 property tax bill is a lot of money for a post. This means that the extra government costs take away their ability to help veterans and the community.

Jack Porath, Commander American Legion Post 282-Santee

Mr. Porath emphasized that the bar/canteen area is not only where they sell food and alcohol, but it is also an area where veterans are counseled. They serve low-cost meals and provide free food for homeless veterans and their families. Any profit at the end goes back to the various programs the post administers. The bar area is not just for drinking. It is to get veterans into the post so that they will be encouraged to obtain the help they desperately need.

Insurers are leaving California. For some, like Farmers or State Farm, they no longer cover veterans' organizations. However, Lockton Affinity provides insurance for veterans' organizations, but rates are much higher, along with more restrictions.

While some posts pay a bartender, post personnel are generally all volunteers – they do everything to maintain the facility. Most of the volunteers work two jobs and others are elderly. One family provided all the janitorial services for the post, but since they moved out of state, the post had to start paying for similar services.

Post 282 is an old building and upkeep was a challenge. There were cockroaches running on the floor in the restrooms. Veterans and their families wouldn't come in and the hall couldn't be rented out. Based on a large donation, the facility was brought back to code. This is a similar scenario with other posts that are old and in need of repair. Posts can't afford to go out and buy a new building. If it were not for the donations coming in from people, either there would be no posts or VFW would close its doors.

Every post engages in many, many patriotic and charity activities: from collecting flags for the community for the respect of properly retiring flags – to successfully housing homeless Veterans (two last month) – to funerals, remembrance ceremonies, and much more.

3a. Current Outreach and Education Issues from Assessors' and BOE Perspective to Enhance Communication and Fully Inform Veterans, Disabled Veterans, and Homeowners of Current Exemptions and Deadlines

Hon. Christina Wynn, President-elect, California Assessors Association, and Sacramento County Assessor

Ms. Wynn stated that the best way to communicate is through direct mail. A checklist of questions informs them that someone may qualify for the benefit; and thus, applications are sent to the property owner right away.

Ms. Wynn credits an outreach program borrowed from the San Diego County Assessor that focuses on disabled veterans. This program includes outreach directly to the county Veteran service office, CalVet offices. Presentations were made to several of these offices. They agreed to help get the information out to the Veterans that they worked with. They also upgraded the website, created special phone numbers and email addresses so that it gives direct access to anybody who wanted to call and talk about this exemption.

Ms. Wynn also stressed that they had to increase staffing to address the increased number of filings, as a result of the increased communications. She also conducts two public speaking engagements a month about the exemption, as well as reminding veterans to reapply if their disability rating reaches 100%.

Mr. Antonio Castro, Jr., Chief Appraiser on behalf of Hon. Jeffrey Prang, Los Angeles County Assessor

Regarding community outreach, resources are made available with various topics including Veteran exemptions, homeowner exemptions, Prop 19 parent to child transfers, ADUs, and what happens when a property manager dies. Staff is available to answer questions. There are Q&A group sessions PowerPoint presentations. They are always free and open to the general public.

If applicants do not have an OCC, they will not go further to research, but once they get past the OCC, the Assessor may go out and visit and check for exempt and incidental usage. The Assessor will bend over backwards but applicants need to get past the OCC and help them with the exemption.

Peter Kim, Communications Director, BOE

Mr. Kim summarized the BOEs outreach efforts in partnership with the Education and Outreach Department lead by the Taxpayers' Rights Advocate, Lisa Thomson. Information sheets on the exemptions are delivered through various social media platforms such as Twitter and Instagram. In addition, all the exemptions are available on the BOE website with FAQs and additional resources. Mr. Kim is also looking at ways to feature the exemptions on the website. He also mentioned the information sheets as a tool for Board Members to distribute to their constituents.

3b. Homeowners' Exemption Proposition 19 filing deadlines.

Hon. Christina Wynn, President-elect, California Assessors Association, and Sacramento County Assessor

Ms. Wynn stated that there are too many dates and deadlines for people to juggle and it is a problem, as well as confusing. A proposal to roll back this portion of Prop. 19 would help in the administration of this rule. She tries to highlight these nuances with specific communications. If someone received property from a parent, her office sends the taxpayer information right away. It is not simple and not everyone will understand. It's just a matter of education and highlighting the deadlines.

Mr. Peter Kim, Director of Communications, BOE

Mr. Kim summarized the BOE's efforts to inform the public of Prop 19 deadlines. In November 2020, a Prop 19 dedicated webpage was developed for taxpayers. Since June 30, 2023, there have been over half a million external webpage views. In April 2021 and April 2022, the Prop 19 fact sheet was made available in both Spanish and Chinese. In February 2021, BOE created an introduction to Prop 19 presentation. The Taxpayers' Rights Advocate Office updated the fact sheets. Based on a request from Chairman Vazquez, a Prop 19 checklist was posted on the BOE website. In fiscal year 2021/22 the county property division answered 640 calls – 319 related to Prop 19 – and over a thousand Prop 19-related email inquiries. In addition, the website and social media platforms will be updated in real time to keep taxpayers informed.

Mr. Antonio Castro, Jr., Chief Appraiser on behalf of Hon. Jeffrey Prang, Los Angeles County Assessor

Mr. Castro stated that there are different ways to reach people. LA County has a public affairs team that does an excellent job getting the information out such as increasing the number of languages that are spoken, making enhancements to public counters through their one-stop shop type counters. They are also experiencing increased traffic where the public is asking difficult questions and they have to be ready and prepared to provide correct and accurate information. There is the downtown headquarters office which is open for anyone to come in and request assistance. There are also five regional offices open to the public. The main goal is to educate a large group of people that are unaware.

4. Wrap up and Action Items.

Hon. Antonio Vazquez, Co-Chair, Member, Third District

Mr. Vazquez proposed the following motion to recommend to the Board: **That the Board will direct our Executive Director to develop and provide a draft of updated and comprehensive guidance on the Veterans' Organization Exemption under Section 215.1 to the Board and this workgroup as expeditiously as possible.**

Hon. Sally Lieber, Co-Chair, Member, Second District

[Earlier] Ms. Lieber proposed the following motion: **To request the Executive Director to work with BOE legal and property tax staff to review state and federal laws, cases, and regulations regarding nonprofit Veterans' Organizations to determine the most inclusive interpretation of the California Veterans' Organization property tax exemption that would allow Veterans Organizations to achieve their missions with minimum of restrictions.**

Chief Counsel Henry Nanjo advised that a formal motion needs to be in the venue of the regular Board meeting.

*Although the workgroup concluded at 3:49pm, and the Board meeting reconvened at 3:50 pm, the motions from this workgroup did not come up again for a vote; however, it will be placed on the agenda the September 26, 2023, Board meeting.