
SENATE COMMITTEE ON VETERANS AFFAIRS

Senator Bob Archuleta, Chair

2019 - 2020 Regular

Bill No:	SB 364	Hearing Date:	4/23/19
Author:	Stone		
Version:	2/20/19 Introduced		
Urgency:	No	Fiscal:	Yes
Consultant:	Veronica Badillo		

Subject: Property taxation: senior and disabled veterans

DESCRIPTION

Summary:

This bill would eliminate the inflation adjustment for the principal place of residence of an income-eligible veteran taxpayer over the age of 65; expands to a full exemption the current partial disabled veterans' property tax exemption.

Existing law:

1) Authorizes the Legislature to exempt partially or fully from property tax, the home of a disabled veteran 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)

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.

2) Provides a partial exemption for eligible disabled veterans.

3) Sets, generally, a property's assessed value as its price when purchased or when ownership is changed, plus an annual inflation factor, calculated as specified.

This bill:

1) Regarding the disabled veterans property tax exemption, provides a full exemption for the principal residence of any qualified disabled veteran home owner—taking effect with the lien date for the 2020–21 fiscal year.

2) Regarding the standard property tax program, eliminates inflation-based increases in a home's assessed valuation for qualified veteran homeowners.

a) Takes effect on January 1, 2020.

b) To be eligible, a veteran home owner must meet the following criteria:

1. Received an honorable discharge.
2. Be at least age 65 on the lien date (January 1).
3. Have a household income less than \$50,000 (if single) or \$100,000 (if married).

c) Applies only to the qualified veteran's principal place of residence.

3) Makes technical and conforming changes to the disabled veteran's property tax exemption.

BACKGROUND

The California Constitution provides that all property is taxable unless explicitly exempted by the Constitution or federal law. The Constitution limits the maximum amount of any ad valorem tax on real property at 1% of full cash value, plus any locally-authorized bonded indebtedness, and provides that assessors can only reappraise property whenever it is newly constructed, or when ownership changes (Proposition 13, 1978).

General Veterans' Exemption. Existing law implementing Proposition 13 generally sets a property's value as its price when purchased or when ownership changed, plus an annual inflation factor, calculated by the Department of Industrial Relations using the California Consumer Price Index for all items. For example, a home purchased in 2012 for \$300,000, has a maximum taxable base year value of \$306,000 in 2013, \$312,200 in 2014, \$318,440 in 2015, \$325,808 in 2016, and \$332,324 in 2017. The most recent purchase price establishes a base year value, which then is multiplied by the appropriate rate (generally 1%, but can be more if voters approved local general obligation bonds) to determine tax due.

Disabled Veterans Property Tax Exemption. California provides qualified disabled veterans and their unmarried surviving spouses with a property tax exemption that applies to their home's assessed value. Eligibility provisions require that the claimant demonstrate award of a disability rating from the United States Department of Veterans Affairs (USDVA) that:

- 1) Rates the veteran's disability at 100%; or
- 2) Rates the veteran's disability compensation at 100% because the veteran is unable to secure and maintain gainful employment.

The law 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% rating when alive, but whose cause of death is deemed service-connected. Surviving spouses of veterans with a 100% disability rating during their lifetime continue to receive the exemption after the veteran's death so long as they do not remarry.

State law implementing the exemption doesn't fully exclude the property value from property tax, instead it allows a partial exemption of \$100,000 for disabled veteran taxpayers with household income of more than \$40,000, or \$150,000 for income lower than that amount, with each threshold adjusted for inflation by the Department of Industrial Relations using the California Consumer Price Index for all items. The current inflation adjusted value is \$139,437 for disabled veterans with income of more than \$62,614, and \$209,156 for those with less than that amount. In 1990, 8,483 disabled veterans' exemptions were provided to eligible homeowners. For 2015, there were 37,653 eligible homeowners. Over the last 25 years, there has been a 344% increase.

COMMENT

Author's statement. According to the author, "An issue that is currently plaguing California is the issue of veterans who are homeless. Veterans have sacrificed much for their country, and in return, local, state and federal governments need to do everything in their power to help them succeed. According to the National Coalition for Homeless Veterans, homeless veterans are younger on average than the total veteran population. Approximately 9% are between the ages of 18 and 30, and 41% are between the ages of 31 and 50. On top of that, about 1.4 million other veterans are considered at risk of homelessness. There is no single solution that will solve this crisis. Reasons for the large number of homeless veterans are complex and numerous. Two of the biggest factors are the extreme shortage of affordable housing and livable income. SB 364 attempts to address the affordable housing issue for veterans by capping the property taxes on any primary residence of an honorably discharged veteran over the age of 65, and exempting the property tax of all disabled veterans living in their primary residence. By making these two changes, it will go a long way to helping veterans stay in their homes by making their living situation more affordable."

Double-referred. This bill passed the Senate Governance & Finance Committee (7-0) on 4/10/19.

Related/Previous Legislation. SB 364 is largely identical to SB 404 (Stone, 2017), which was almost identical to SB 1104 (Stone, 2016). SB 1104 would have frozen the base year value for all veteran taxpayers; however, the author accepted amendments in this Committee limiting this benefit solely to veterans with incomes below a specified limit, and applying its changes to mobile and manufactured homes. *(Held in Senate Appropriations Committee)*

AB 1458 (Bates, Chapter 871, Statutes of 2016) expands eligibility for the disabled veterans property tax exemption to include a person who has been discharged under "other than dishonorable conditions" – but who is otherwise eligible for federal veterans' health and medical benefits, as determined by USDVA.

SB 1183 (Bates, 2016) (1) exempts from property tax the home of any person eligible for the disabled veterans' exemption, with a \$1 million cap in assessed value that would be adjusted annually for inflation, and (2) expands eligibility for the exemption. *(Held in Senate Appropriations Committee)*

AB 1556 (Mathis/Weber, 2016) exempts fully from property tax the home of a totally disabled veteran, as defined, or his/her unmarried surviving spouse, by repealing the

limitations imposed on the assessed value of the disabled veteran's principal residence eligible for the exemption and the amount of his/her household income. *(Held in Assembly Revenue and Taxation Committee)*

AB 2568 (Houston, 2008) exempts fully from property tax the personal residence of a disabled veteran and his/her spouse. *(Held in Senate Revenue and Taxation Committee)*

POSITIONS

Sponsor: Author.

Support:

American G.I. Forum of California
AMVETS, Department of California
California Association of County Veterans Service Officers
California State Commanders Veterans Council
National Guard Association of California
3 - Individuals

Oppose: None on file.

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