
THIRD READING

Bill No: SB 364
Author: Stone (R)
Amended: 5/17/19
Vote: 21

SENATE GOVERNANCE & FIN. COMMITTEE: 7-0, 3/27/19
AYES: McGuire, Moorlach, Beall, Hertzberg, Hurtado, Nielsen, Wiener

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: senior and disabled veterans

SOURCE: Author

DIGEST: This bill eliminates the inflation adjustment for the principal place of residence of an income-eligible veteran taxpayer over the age of 65.

ANALYSIS:

Existing law:

- 1) Provides that all property is taxable unless explicitly exempted by the Constitution or federal law (California Constitution, Article XIII).
- 2) Limits the maximum amount of any ad valorem tax on real property at 1% of full cash value, and directs assessors to only reappraise property when newly constructed, or when ownership changes (California Constitution, Article XIII A, as added by Proposition 13, 1978).
- 3) Restricts assessed value inflationary growth of real property to 2% per year.

- 4) Sets a property's value for tax purposes 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. This base year value is then multiplied by the appropriate rate (generally 1%, but can be more if voters approved local general obligation bonds) to determine tax due.

This bill:

- 1) Disconnects the inflation factor for the principal place of residence of income-eligible taxpayers over the age of 65 who were honorably discharged from military service for any assessment year on or after either January 1, 2020, or the taxpayer's 65th birthday, whichever is later.
- 2) Allows the benefit solely for veterans with household combined annual income of less than \$100,000, or if single, annual income of less than \$50,000 using the definitions for income in the Senior Citizens and Disabled Citizens Property Tax Postponement Law.
- 3) Requires the veteran taxpayer to complete an affidavit furnished by the assessor providing all information required and answering any questions to determine qualification to claim the benefit.
- 4) Allows the assessor to require additional proof of the information or answers in the affidavit before allowing the benefit.
- 5) Limits the benefit to the residence any land necessary for the use of the property as a home – any additional land would continue to grow in taxable value pursuant to current law.
- 6) Applies its provisions to taxpayers owning manufactured homes.
- 7) Makes technical and conforming changes.

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

According to the Senate Appropriations Committee, the Board of Equalization (BOE) estimates that this bill's two proposed changes to property tax law would result in annual 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). Additionally, this bill could result in unknown, but likely minor, costs to reimburse local governments related to changes in property tax administration. Costs to BOE would be minor and absorbable.

SUPPORT: (Verified 5/17/19)

American GI Forum of California
AMVETS-Department of California
California Association of County Veterans Service Officers
California State Commanders Veterans Council
Retired Public Employees Association
National Guard Association of California
13 individuals

OPPOSITION: (Verified 5/17/19)

California Assessors Association

ARGUMENTS IN SUPPORT: 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.”

ARGUMENTS IN OPPOSITION: According to the California Assessors Association, “SB 364 creates a new program that attempts to fashion itself as an exemption but is, in fact, different treatment of real property for property tax purposes as required by the Constitution. In short, SB 364 takes the current Veterans’ Exemption and twists it into a different way to assess property owned by

certain qualified veterans. With most exemptions, the assessed value is enrolled then an exemption is applies. In this proposal, the inflation factor required in Article XIII A is waived for qualified veterans who are not disabled. This will require Assessors to monitor all properties owned by veterans and track their age and annual income. Then, we will be required to treat those properties differently than all other real property not subject to statutory restrictions. The added administrative burden is significant. There is no doubt that new reporting forms and recordkeeping standards will be required to begin the tracking effort. Additionally, computer programming will be required so that assessed values of property owned by a qualified veteran is not inflated consistent with state law. In California, there are 31 counties using the same property tax system. The remaining 27 counties use individualized system. If this bill passes, with an effective date of the 2020 lien date, it will need an immediate change to those property tax systems. Disabled and aging veterans have the support and respect of California's County Assessors. However, the practical application of this legislation is problematic."

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