
SENATE COMMITTEE ON MILITARY & VETERANS AFFAIRS

Senator Bob Archuleta, Chair

2021 - 2022 Regular

Bill No:	SB 658	Hearing Date:	4/28/21
Author:	Grove		
Version:	3/5/21 Amended		
Urgency:	No	Fiscal:	Yes
Consultant:	V. Badillo		

Subject: Property tax: exemptions: disabled veterans

DESCRIPTION

Summary:

Expands the disabled veterans' exemption to allow a reduced exemption for partially disabled veterans.

Existing law:

1) 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. (Cal. Const., art. XIII, §4(a))

2) Exempts 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. (RTC §205.5(a))

This bill:

1) Provides, for property tax lien dates occurring on or after January 1, 2022, a partial exemption for property owned by, and that constitutes the principal place of residence of, a veteran who is partially disabled, as defined, or the veteran's spouse or the veteran and the veteran's spouse jointly, under these provisions;

2) Requires that the amount of partial exemption provided be the percentage of the full amount of exemption, as described above, equivalent to the partially disabled veteran's disability rating percentage by the United States Department of Veterans Affairs or the military service from which the veteran was discharged, as applicable.

3) Makes technical and conforming changes.

BACKGROUND

According to the Senate Committee on Governance and Finance:

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. Assessors reappraise property whenever it is purchased, newly constructed, or when ownership changes.

The Constitution allows the Legislature to partially or wholly exempt from property tax the value of a disabled veteran's principal place of residence if the veteran has lost one or more limbs, is totally blind, or is "totally disabled," as a result of a service-connected injury. This disabled veterans' exemption is available to disabled veteran taxpayers or their unmarried surviving spouses, and applies instead of other real property exemptions, like the homeowners' exemption.

Current law defines "totally disabled" to mean that the United States Department of Veterans Affairs (USDVA) or the military service from which the veteran was discharged has rated the disability at 100 percent, or has rated the disability compensation at 100 percent by reason of being unable to secure or follow a substantially gainful occupation. According to the Board of Equalization (BOE), if a veteran has received a disability rating of 100 percent from the USDVA, the county assessor should consider the veteran qualified for the exemption without requiring further documentation.

State law implementing the Constitutional exemption doesn't fully exclude the value of a disabled veteran's property, instead enacting 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 \$143,273 for disabled veterans with income of more than \$64,337, and \$214,910 for those with less than that amount.

Currently, a disabled veteran must have a disability rating of 100% to be eligible for the exemption; no partial allowances for a rating less than 100 percent. San Bernardino County Assessor-Recorder-Clerk Bob Dutton wants to allow disabled veterans with less than a 100% rating to qualify for a partial exemption in accordance with their disability rating.

According to BOE, the number of taxpayers claiming the disabled veterans' 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. Of the estimated 1.6 million veterans in California, approximately 140,881 veterans in San Diego (92,398), San Bernardino (27,287) and Sacramento (21,196) are currently receiving VA disability benefits.

The Author notes other states offer varying degrees of tax deductions based on various levels of disability rating. For example, in Texas veterans with a disability rating of 10-29 percent may receive a \$5,000 property tax exemption, 30- 49 percent may receive a \$7,500 property tax exemption, 50- 69 percent may receive a \$10,000 property tax exemption, 70- 100 percent may receive a \$12,000 property tax exemption, and veterans with a full 100% disability rating are fully exempt from property taxes.

Unlike permanent disabilities, USDVA can increase or decrease a disability rating if it finds sustained improvement in the veteran's ability to function under the ordinary conditions of life, including employment, after review of the veteran's medical history and conducting a thorough examination. Because SB 658's exemption amount is equal to the veteran's disability rating percentage multiplied by the exemption amount allowed to a totally disabled veteran, the exemption amount could change if the veteran's rating changes.

Double-Referred. This bill was heard in the Senate Committee on Governance and Finance on 4/8/2021(Ayes 5, Noes 0).

COMMENT

Authors Statement. According to the Author, "only a small percentage of veterans are listed with a 100% disability rating by the USDVA. As it stands, even if a veteran were to have a 90% disability rating, they would be ineligible for a property tax exemption under current law. Many veterans who are severely disabled as a result of their service to the United States are turned away when seeking this exemption. SB 658 ensures that California veterans are treated with the proper gratitude and respect they deserve for their service to the United States by expanding access to a helpful tool for California Veterans and their families."

The Committee may wish to consider whether this bill should require veterans to notify and/or submit an amended tax exemption application to the assessor if the veterans' service-connected disability percentage changes.

Related/Previous Legislation. SB 667 (Roth, 2021), would allow the executor or administrator of the claimant's estate to file a claim for the disabled veterans' exemption.

POSITIONS

Sponsor: Bob Dutton - San Bernardino County Assessor-Recorder-Clerk

Support: California Association of County Veterans Service Officers
California State Commanders Veterans Council
Military Officers Association of America-California Council of Chapters
Vietnam Veterans of America-California State Council

Oppose: None on file.

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