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## SENATE COMMITTEE ON APPROPRIATIONS

Senator Anthony Portantino, Chair  
2021 - 2022 Regular Session

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### SB 658 (Grove) - Property tax: exemptions: disabled veterans

**Version:** March 5, 2021

**Urgency:** No

**Hearing Date:** May 10, 2021

**Policy Vote:** GOV. & F. 5 - 0, M.V.A. 7 - 0

**Mandate:** Yes

**Consultant:** Robert Ingenito

**Bill Summary:** SB 658 would expand the disabled veterans' exemption to allow a reduced exemption for partially disabled veterans.

#### **Fiscal Impact:**

- The Board of Equalization (BOE) estimates that this bill would result in annual property tax revenue losses of \$187 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 turn depends upon a variety of economic, demographic and budgetary factors).
- BOE has yet to determine its administrative costs that would result from the bill.
- By adding to the duties of local tax officials in administering the disabled veterans' property tax exemption, this bill creates a state-mandated local program. To the extent the Commission on State Mandates determines that the provisions of this bill create a new program or impose a higher level of service on local agencies, local agencies could claim reimbursement of those costs (General Fund). The magnitude is unknown.

**Background:** Under the California Constitution, all property is taxable unless explicitly exempted by either itself or by federal law. The Constitution 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. County assessors reappraise property whenever it is purchased, newly constructed, or when its 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 (1) has lost one or more limbs, (2) is totally blind, or (3) 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.

The disabled veterans' exemption amount depends upon the claimant's income. For 2021-22, the basic exemption adjusted for inflation will be \$147,535. However, if the claimant's income is less than \$66,251, the exemption amount will be \$221,304. For the 2020 assessment year, 59,063 disabled veterans or their unmarried surviving spouses were granted the exemption. Currently, a disabled veteran must have a disability rating

of 100% to be eligible for the exemption; there are no partial allowances for a rating less than 100 percent.

**Proposed Law:** This bill would, for lien dates on or after January 1, 2022, expand the disabled veterans' exemption to allow a reduced exemption for partially disabled veterans. The bill would require that the amount of partial exemption provided be the percentage of the full amount of exemption, as specified, 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.

**Related Legislation:** SB 667 (Roth) would allow the executor or administrator of the claimant's estate to file a claim for the disabled veterans' exemption. The bill is currently pending in this Committee.

**Staff Comments:** To develop its revenue estimate, BOE staff relied on service-connected disability ratings data from the National Center for Veterans Analysis and Statistics. Key assumptions include the following: (1) 78 percent of disabled veterans own a home, and (2) 91 percent of partial disabled veterans would qualify for the basic exemption amount, and 9 percent would be eligible for the lower income exemption amount.

Overall, BOE staff estimate the total exemption value under the bill would be \$18.7 billion. The resulting annual revenue loss at the basic 1 percent property tax rate would be \$187 million. The revenue loss would increase in the out-years as exemption limits are annually adjusted for inflation.

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