
SENATE COMMITTEE ON GOVERNANCE AND FINANCE

Senator Anna M. Caballero, Chair

2023 - 2024 Regular

Bill No: AB 1361
Author: Hoover
Version: 6/20/23
Consultant: Grinnell

Hearing Date: 6/28/23
Tax Levy: No
Fiscal: No

PROPERTY TAXATION: VETERAN'S EXEMPTION: PRELIMINARY APPLICATION

States assessors may provide a written or electronic determination of preliminary eligibility for a disabled veterans' exemption.

Background

The California Constitution provides 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 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 two or more limbs, is totally blind, or is totally disabled as a result of a service-connected injury. The taxpayer must have served in the United States (U.S.) Army, Navy, Air Force, Marine Corps, Space Force, or Coast Guard, and been discharged under conditions other than dishonorable. This disabled veterans' exemption is available to disabled veteran taxpayers or their unmarried surviving spouses, so long as the surviving spouse receives a U.S. Department of Veterans Affairs (USDVA) determination the spouse's death was service-connected. The exemption applies in lieu of other real property exemptions, like the homeowners' exemption. Once granted, the exemption applies until title to the property changes, the property is no longer the veteran's principal residence, or the veteran is no longer disabled.

Current law defines "totally disabled" to mean the USDVA or the military service from which the veteran was discharged has rated the disability at 100%, or has rated the disability compensation at 100% by reason of being unable to secure or follow a substantially gainful occupation. State law also contains specific definitions for blindness and the loss of two or more limbs.

Generally, qualifying taxpayers can file a claim for the exemption when they receive a rating letter from the USDVA indicating a 100% disability rating or that the disability compensation is at the 100% level. All claimants must provide:

- Proof of the veteran's disability, which is generally a letter from the USDVA.
- Proof the character of service was under "other than dishonorable" conditions, such as a DD-214, or other letter from the USDVA indicating the character of service.

According to the State Board of Equalization, the Disabled Veterans' Exemption is one of the most complex property tax exemptions to administer. Assessors must review and verify several documents, filing and qualification dates, exemption limits, assessed values, and ownership interests when processing the exemption. Additionally, exemption amounts and income ceilings for the low-income provision of the exemption change annually.

Additionally, property is not eligible for the disabled veterans' exemption under the Constitution or implementing statute unless and until a disabled veteran purchases a property as their principal place of residence, and the disabled veteran files a claim. Assessors must then verify the disabled veteran's eligibility for the exemption based on ownership records, the DD-214 and USDVA letter, and apply any applicable exclusions, such as a base year or parent-child transfer.

The author wants to expressly authorize assessors to provide a written or electronic determination of preliminary eligibility for a disabled veterans' exemption, so disabled veteran taxpayers can begin the process of determining eligibility for the exemption while in the process of purchasing a home.

Proposed Law

Assembly Bill 1361 states assessors may provide written or electronic determination of preliminary eligibility for a disabled veterans' exemption. The measure also states the Legislature's intent to support disabled veterans with information, particularly with respect to 100% disabled veteran property tax exemptions, when the veteran is seeking to purchase a home. The measure adds further legislative intent that the veteran will have more purchasing power by eliminating property taxes paid at closing that are not owed and will later be reimbursed by providing county assessors with new authority to provide written preliminary eligibility of the exemption earlier in the home-buying process.

State Revenue Impact

Pending.

Comments

1. Purpose of the bill. According to the author, "Our disabled veterans have not only fought and served our country, but have made a huge sacrifice as well. That's why this Legislature has made policies that promote their success and ensure that they receive the benefits that they deserve. This bill just streamlines the home buying process by allowing 100% permanent and total disabled veterans to apply for their real estate tax exemption after going under contract on a home, but before taking ownership. This simple change would allow veterans be approved for their tax exempt status before closing on a mortgage, potentially saving veterans thousands of dollars that they would otherwise have to pay, just to get reimbursed at a later date."

2. Necessary? As introduced, AB 1361 allowed persons to file written preliminary applications for determination that a property they intend to purchase is eligible for the disabled veterans' exemption, and directed assessors to process the application and send a written determination within 15 business days following receipt. The Assembly Appropriations Committee amended the bill to delete those provisions, and insert its current ones that allow assessors to provide written or electronic determination of preliminary eligibility for a disabled veterans' exemption.

However, it's unclear whether current law precludes assessors from doing so, raising the question whether this measure is necessary.

3. Coming and going. The Senate Rules Committee ordered a double referral of AB 1361: first, to the Governance and Finance Committee to consider its tax implications, and second to the Military and Veterans Affairs Committee.

4. Related legislation. The Committee approved two different measures earlier this year modifying the disabled veterans' exemption from property tax:

- SB 82 (Seyarto) requires a county assessor to accept an electronically-generated letter of service-connected disability in lieu of an original letter of service-connected disability. The measure is currently pending in the Assembly Military and Veterans' Affairs Committee.
- SB 726 (Archuleta) creates a new, alternative disabled veterans' exemption that would exempt the full value of a disabled veteran's residence up to \$863,790 subject to several requirements. The measure is currently pending in the Assembly Military and Veterans' Affairs Committee.

Assembly Actions

Assembly Revenue and Taxation Committee:	11-0
Assembly Appropriations Committee:	15-0
Assembly Floor:	80-0

Support and Opposition (6/23/23)

Support: California Assessors' Association
 California Enlisted Association of The National Guard of The United States
 United Wholesale Mortgage, LLC
 Veteran Strong USA

Opposition: None received.

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