
CONSENT

Bill No: AB 1361
Author: Hoover (R), et al.
Amended: 8/21/23 in Senate
Vote: 21

SENATE GOVERNANCE & FIN. COMMITTEE: 8-0, 6/28/23
AYES: Caballero, Seyarto, Blakespear, Dahle, Durazo, Glazer, Skinner, Wiener

SENATE MILITARY & VETERANS COMMITTEE: 5-0, 7/10/23
AYES: Archuleta, Grove, Alvarado-Gil, Menjivar, Umberg

ASSEMBLY FLOOR: 80-0, 5/31/23 - See last page for vote

SUBJECT: Property taxation: veteran's exemption: preliminary application

SOURCE: Author

DIGEST: This bill authorizes a county assessor to provide written or electronic determination of preliminary eligibility for the disabled veteran's tax exemption. This bill makes related findings and declarations.

Senate Floor Amendments of 8/21/23 add double jointing language with SB 82 (Seyarto) to avoid chaptering conflicts, and add co-authors.

ANALYSIS:

Existing law:

Pursuant to the California Constitution

- 1) Provides all property is taxable unless explicitly exempted by the Constitution or federal law.
- 2) 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.

This bill:

- 1) States assessors may provide written or electronic determination of preliminary eligibility for a disabled veterans' exemption.
- 2) 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.
- 3) 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.

Background

The California Constitution generally limits ad valorem taxes on real property to 1% of the full cash value of that property, defined as the county assessor's valuation of real property as shown on the 1975–76 tax bill and, thereafter, the appraised value of the property when purchased, newly constructed, or a change in ownership occurs after the 1975 assessment, subject to an annual inflation adjustment not to exceed 2%. Existing property law, pursuant to the authorization of the California Constitution, provides a disabled veteran's tax exemption on specified property, as described. Existing law sets forth procedures to claim property tax exemptions.

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 (VA) 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 VA 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 VA 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 VA.
- Proof the character of service was under "other than dishonorable" conditions, such as a DD-214, or other letter from the VA 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 VA letter, and apply any applicable exclusions, such as a base year or parent-child transfer.

Comments

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.”

Related/Prior Legislation

SB 82 (Seyarto, 2023) requires a county assessor to accept an electronically-generated letter of service-connected disability in lieu of an original letter of service-connected disability.

SB 726 (Archuleta, 2023) 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.

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

SUPPORT: (Verified 8/21/23)

California Assessors' Association

California Association of Realtors

California Enlisted Association of the National Guard of the United States

United Wholesale Mortgage, LLC

Veteran Strong USA

OPPOSITION: (Verified 8/21/23)

None received

ASSEMBLY FLOOR: 80-0, 5/31/23

AYES: Addis, Aguiar-Curry, Alanis, Alvarez, Arambula, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Juan Carrillo, Wendy Carrillo, Cervantes, Chen, Connolly, Megan Dahle, Davies, Dixon, Essayli, Flora, Mike Fong, Vince Fong, Friedman, Gabriel, Gallagher, Garcia, Gipson, Grayson, Haney, Hart, Holden, Hoover, Irwin, Jackson, Jones-Sawyer, Kalra, Lackey, Lee, Low, Lowenthal, Maienschein, Mathis, McCarty, McKinnor, Muratsuchi, Stephanie Nguyen, Ortega, Pacheco, Papan, Jim Patterson, Joe Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Reyes, Luz Rivas, Robert Rivas, Rodriguez, Blanca Rubio, Sanchez, Santiago, Schiavo, Soria, Ta, Ting, Valencia, Villapudua, Waldron, Wallis, Ward, Weber, Wicks, Wilson, Wood, Zbur, Rendon

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