

AMENDED IN ASSEMBLY MARCH 29, 2007

CALIFORNIA LEGISLATURE—2007—08 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1485**

---

**Introduced by Assembly Member Jeffries**  
*(Coauthors: Assembly Members Cook, La Malfa, Villines, and Walters)*  
*(Coauthors: Senators Battin and Hollingsworth)*

February 23, 2007

---

An act to ~~add Section 205.6 to~~ *amend Section 205.5* of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1485, as amended, Jeffries. Property tax exemption: ~~spouses of deceased members of the United States Armed Forces. principal residence: veterans and their unmarried surviving spouses.~~

The California Constitution authorizes the exemption from property taxation of the ~~principal residence of a disabled veteran, or a veteran's home of a person, a person's spouse, and the unmarried surviving spouse, in the case in which~~ of a person *who* has, as a result of a service-connected disease or injury, *either* become disabled, *become disabled and died*, or died while on active duty in military service, *as specified*. Existing property tax law specifies an exemption amount of \$100,000, but increases that amount to \$150,000, if the exemption claimant's income does not exceed \$40,000 as adjusted by a specified inflation factor.

This bill would, beginning with the lien date for the 2008–09 fiscal year, *delete these exemption amounts and income thresholds to instead* fully exempt from property taxation the principal residence, as specified,

of a disabled veteran, as specified, the veteran’s spouse, and the unmarried surviving spouse of a ~~member of the United States Armed Forces~~ that disabled veteran and a veteran who died on active duty as a result of a service-connected disease or injury, as specified. *This bill would also correct an erroneous cross-reference in these provisions and clarify that the exemption for the unmarried surviving spouse of a deceased disabled veteran applies in the case of a disabled veteran who died as a result of a service-connected injury.*

Section 2229 of the Revenue and Taxation Code requires the Legislature to reimburse local agencies annually for certain property tax revenues lost as a result of any exemption or classification of property for purposes of ad valorem property taxation.

This bill would provide that, notwithstanding Section 2229 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse local agencies for property tax revenues lost by them pursuant to this bill.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1     SECTION 1. Section 205.5 of the Revenue and Taxation Code  
2     is amended to read:  
3     205.5. (a) Property that constitutes the principal place of  
4     residence of a veteran, that is owned by the veteran, the veteran’s  
5     spouse, or the veteran and the veteran’s spouse jointly, is exempted  
6     from taxation ~~on that part of the full value of the residence that~~  
7     ~~does not exceed one hundred thousand dollars (\$100,000), as~~  
8     ~~adjusted for the relevant assessment year as provided in subdivision~~  
9     ~~(h);~~ if the veteran is blind in both eyes, has lost the use of two or  
10    more limbs, or if the veteran is totally disabled as a result of injury  
11    or disease incurred in military service. ~~The one hundred thousand~~  
12    ~~dollar (\$100,000) exemption shall be one hundred fifty thousand~~  
13    ~~dollars (\$150,000), as adjusted for the relevant assessment year as~~  
14    ~~provided in subdivision (h), in the case of an eligible veteran whose~~  
15    ~~household income does not exceed the amount of forty thousand~~  
16    ~~dollars (\$40,000), as adjusted for the relevant assessment year as~~  
17    ~~provided in subdivision (g).~~

1 (b) (1) For purposes of this section, “veteran” means either of  
2 the following:

3 (A) A veteran as specified in subdivision (o) of Section 3 of  
4 Article XIII of the California Constitution without regard to any  
5 limitation contained therein on the value of property owned by the  
6 veteran or the veteran’s spouse.

7 (B) Any person who would qualify as a veteran pursuant to  
8 paragraph (1) except that he or she has, as a result of a  
9 service-connected injury or disease, died while on active duty in  
10 military service. The United States Department of Veterans Affairs  
11 shall determine whether an injury or disease is service connected.

12 (2) For purposes of this section, property is deemed to be the  
13 principal place of residence of a veteran, disabled as described in  
14 subdivision (a), who is confined to a hospital or other care facility,  
15 if that property would be that veteran’s principal place of residence  
16 were it not for his or her confinement to a hospital or other care  
17 facility, provided that the residence is not rented or leased to a  
18 third party. A family member that resides at the residence is not  
19 considered to be a third party.

20 (c) (1) Property that is owned by, and that constitutes the  
21 principal place of residence of, the unmarried surviving spouse of  
22 a deceased veteran is exempt from taxation ~~on that part of the full~~  
23 ~~value of the residence that does not exceed one hundred thousand~~  
24 ~~dollars (\$100,000), as adjusted for the relevant assessment year as~~  
25 ~~provided in subdivision (h);~~ in the case of a veteran who was blind  
26 in both eyes, had lost the use of two or more limbs, or was totally  
27 disabled ~~provided that, if~~ either of the following conditions is met:

28 (A) The deceased veteran during his or her lifetime qualified  
29 in all respects for the exemption or would have qualified for the  
30 exemption under the laws effective on January 1, 1977, except  
31 that the veteran died prior to January 1, 1977.

32 (B) The veteran died from ~~a~~ *an injury or* disease that was service  
33 connected as determined by the United States Department of  
34 Veterans Affairs.

35 ~~The one hundred thousand dollar (\$100,000) exemption shall~~  
36 ~~be one hundred fifty thousand dollars (\$150,000), as adjusted for~~  
37 ~~the relevant assessment year as provided in subdivision (h), in the~~  
38 ~~case of an eligible unmarried surviving spouse whose household~~  
39 ~~income does not exceed the amount of forty thousand dollars~~

1 (\$40,000), as adjusted for the relevant assessment year as provided  
2 in subdivision (g).

3 (2) Commencing with the 1994–95 fiscal year, property that is  
4 owned by, and that constitutes the principal place of residence of,  
5 the unmarried surviving spouse of a veteran as described in  
6 ~~paragraph (2) subparagraph (B) of paragraph (1)~~ of subdivision  
7 (b) is exempt from taxation ~~on that part of the full value of the~~  
8 ~~residence that does not exceed one hundred thousand dollars~~  
9 ~~(\$100,000), as adjusted for the relevant assessment year as provided~~  
10 ~~in subdivision (h). The one hundred thousand dollar (\$100,000)~~  
11 ~~exemption shall be one hundred fifty thousand dollars (\$150,000),~~  
12 ~~as adjusted for the relevant assessment year as provided in~~  
13 ~~subdivision (h), in the case of an eligible unmarried surviving~~  
14 ~~spouse whose household income does not exceed the amount of~~  
15 ~~forty thousand dollars (\$40,000), as adjusted for the relevant~~  
16 ~~assessment year as provided in subdivision (g).~~

17 (d) As used in this section, “property that is owned by a veteran”  
18 or “property that is owned by the veteran’s unmarried surviving  
19 spouse” includes all of the following:

20 (1) Property owned by the veteran with the veteran’s spouse as  
21 a joint tenancy, tenancy in common, or as community property.

22 (2) Property owned by the veteran or the veteran’s spouse as  
23 separate property.

24 (3) Property owned with one or more other persons to the extent  
25 of the interest owned by the veteran, the veteran’s spouse, or both  
26 the veteran and the veteran’s spouse.

27 (4) Property owned by the veteran’s unmarried surviving spouse  
28 with one or more other persons to the extent of the interest owned  
29 by the veteran’s unmarried surviving spouse.

30 (5) So much of the property of a corporation as constitutes the  
31 principal place of residence of a veteran or a veteran’s unmarried  
32 surviving spouse when the veteran, or the veteran’s spouse, or the  
33 veteran’s unmarried surviving spouse is a shareholder of the  
34 corporation and the rights of shareholding entitle one to the  
35 possession of property, legal title to which is owned by the  
36 corporation. The exemption provided by this paragraph shall be  
37 shown on the local roll and shall reduce the full value of the  
38 corporate property. Notwithstanding any provision of law or  
39 articles of incorporation or bylaws of a corporation described in  
40 this paragraph, any reduction of property taxes paid by the

1 corporation shall reflect an equal reduction in any charges by the  
2 corporation to the person who, by reason of qualifying for the  
3 exemption, made possible the reduction for the corporation.

4 (e) For purposes of this section, being blind in both eyes means  
5 having a visual acuity of 5/200 or less, or concentric contraction  
6 of the visual field to 5 degrees or less; losing the use of a limb  
7 means that the limb has been amputated or its use has been lost  
8 by reason of ankylosis, progressive muscular dystrophies, or  
9 paralysis; and being totally disabled means that the United States  
10 Department of Veterans Affairs or the military service from which  
11 the veteran was discharged has rated the disability at 100 percent  
12 or has rated the disability compensation at 100 percent by reason  
13 of being unable to secure or follow a substantially gainful  
14 occupation.

15 (f) An exemption granted to a claimant in accordance with the  
16 provisions of this section shall be in lieu of the veteran's exemption  
17 provided by subdivisions (o), (p), (q), and (r) of Section 3 of Article  
18 XIII of the California Constitution and any other real property tax  
19 exemption to which the claimant may be entitled. No other real  
20 property tax exemption may be granted to any other person with  
21 respect to the same residence for which an exemption has been  
22 granted under the provisions of this section; provided, that if two  
23 or more veterans qualified pursuant to this section coown a property  
24 in which they reside, each is entitled to the exemption to the extent  
25 of his or her interest.

26 ~~(g) Commencing on January 1, 2002, and for each assessment~~  
27 ~~year thereafter, the household income limit shall be compounded~~  
28 ~~annually by an inflation factor that is the annual percentage change,~~  
29 ~~measured from February to February of the two previous~~  
30 ~~assessment years, rounded to the nearest one-thousandth of 1~~  
31 ~~percent, in the California Consumer Price Index for all items, as~~  
32 ~~determined by the California Department of Industrial Relations.~~

33 ~~(h) Commencing on January 1, 2006, and for each assessment~~  
34 ~~year thereafter, the exemption amounts set forth in subdivisions~~  
35 ~~(a) and (c) shall be compounded annually by an inflation factor~~  
36 ~~that is the annual percentage change, measured from February to~~  
37 ~~February of the two previous assessment years, rounded to the~~  
38 ~~nearest one-thousandth of 1 percent, in the California Consumer~~  
39 ~~Price Index for all items, as determined by the California~~  
40 ~~Department of Industrial Relations.~~

1 (g) *The amendments made to this section by the act that*  
2 *amended this subdivision apply for property tax lien dates for the*  
3 *2008–09 fiscal year and for each fiscal year thereafter.*

4 ~~SECTION 1. Section 205.6 is added to the Revenue and~~  
5 ~~Taxation Code, to read:~~

6 ~~205.6.—(a) Notwithstanding any other provision of law,~~  
7 ~~beginning with the lien date for the 2008–09 fiscal year, property~~  
8 ~~that is owned by, and that constitutes the principal place of~~  
9 ~~residence of, the unmarried surviving spouse of a person that died~~  
10 ~~while on active duty in the United States Armed Forces as a result~~  
11 ~~of a service-connected injury or disease is exempt from taxation.~~

12 ~~(b) For purposes of this section, all of the following apply:~~

13 ~~(1) For any assessment year, “principal place of residence”~~  
14 ~~includes only one of the following:~~

15 ~~(A) Property that is the principal place of residence of the~~  
16 ~~unmarried surviving spouse.~~

17 ~~(B) Property that was under construction or was under a contract~~  
18 ~~for purchase that was in escrow on the date that the person died,~~  
19 ~~and to which both of the following apply:~~

20 ~~(i) The unmarried surviving spouse and the deceased person~~  
21 ~~cosigned the loan used to finance the purchase or the construction.~~

22 ~~(ii) Upon the close of escrow or upon the completion of~~  
23 ~~construction, the property was intended to be the principal place~~  
24 ~~of residence of the deceased person and his or her spouse.~~

25 ~~(C) Property owned by the unmarried surviving spouse with~~  
26 ~~one or more other persons to the extent of the interest owned by~~  
27 ~~the unmarried surviving spouse.~~

28 ~~(2) The United States Department of Veterans Affairs shall~~  
29 ~~determine whether an injury or disease is service connected.~~

30 ~~(e) Notwithstanding any other law, pursuant to Section 6 of~~  
31 ~~Article XIII of the California Constitution, a person that fails to~~  
32 ~~claim the exemption authorized by this section for a particular~~  
33 ~~fiscal year is deemed to have waived the exemption for that fiscal~~  
34 ~~year.~~

35 SEC. 2. Notwithstanding Section 2229 of the Revenue and  
36 Taxation Code, no appropriation is made by this act and the state  
37 shall not reimburse any local agency for any property tax revenues  
38 lost by it pursuant to this act.

1     SEC. 3. This act provides for a tax levy within the meaning of  
2     Article IV of the Constitution and shall go into immediate effect.

O