

AMENDED IN SENATE APRIL 30, 2014
AMENDED IN SENATE MARCH 26, 2014

SENATE BILL

No. 1152

Introduced by Senator Anderson

February 20, 2014

An act to amend Section 215.1 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1152, as amended, Anderson. Property taxation: exemptions: veterans' organizations.

Existing property tax law establishes a veterans' organization exemption under which property is exempt from taxation if, among other things, that property is used exclusively for charitable purposes and is owned by a veterans' organization.

This bill would provide that property owned by an organization that satisfies the requirements for the veterans' organization exemption may not be denied the veterans' organization exemption because the property is occasionally made available for private rentals as a service to the community, under specified conditions.

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 the bill.

This bill would take effect immediately as a tax levy.

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

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

1 SECTION 1. *The Legislature finds and declares all of the*
2 *following:*
3 (a) *Section 501(c)(19) of the United States Internal Revenue*
4 *Code and related federal regulations provide for the exemption*
5 *for posts or organizations of war veterans, or an auxiliary unit or*
6 *society of, or a trust or foundation for, any such post or*
7 *organization that, among other attributes, carries on programs to*
8 *perpetuate the memory of deceased veterans and members of the*
9 *Armed Forces and to comfort their survivors, conducts programs*
10 *for religious, charitable, scientific, literary, or educational*
11 *purposes, sponsors or participates in activities of a patriotic*
12 *nature, and provides social and recreational activities for their*
13 *members.*
14 (b) *Section 215.1 of the Revenue and Taxation Code stipulates*
15 *that all buildings, and so much of the real property on which the*
16 *buildings are situated as may be required for the convenient use*
17 *and occupation of the buildings, used exclusively for charitable*
18 *purposes, owned by a veterans' organization that has been*
19 *chartered by the Congress of the United States, organized and*
20 *operated for charitable purposes, when the same are used solely*
21 *and exclusively for the purpose of the organization, if not*
22 *conducted for profit and no part of the net earnings of which*
23 *ensures to the benefit of any private individual or member thereof,*
24 *are exempt from taxation.*
25 (c) *The Chief Counsel of the State Board of Equalization*
26 *concluded, based on a 1979 appellate court decision, that only*
27 *parts of American Legion halls are exempt from property taxation*
28 *and that other parts, such as billiard rooms, card rooms, and*
29 *similar areas, are not exempt.*
30 (d) *In a 1994 memorandum, the State Board of Equalization's*
31 *legal division further concluded that the areas normally considered*
32 *eligible for exemptions are the office areas used to counsel veterans*
33 *and the area used to store veterans' records, but that the meeting*
34 *hall and bar found in most of the facilities are not considered used*
35 *for charitable purposes.*

1 (e) Tax-exempt status is intended to provide economic incentive
2 and support to veterans' organizations to provide for the social
3 welfare of the community of current and former military personnel.

4 (f) The State Board of Equalization's constriction of the tax
5 exemption has resulted in an onerous tax burden on California
6 veteran service organizations posts or halls, hinders the posts'
7 ability to provide facilities for veterans, and threatens the economic
8 viability of many local organizations.

9 (g) The charitable activities of a veteran service organizations
10 post or hall are much more than the counseling of veterans. The
11 requirements listed for qualification for the federal tax exemption
12 clearly dictate a need for more than just an office.

13 (h) Programs to perpetuate the memory of deceased veterans
14 and members of the Armed Forces and to comfort their survivors
15 require the use of facilities for funerals and receptions.

16 (i) Programs for religious, charitable, scientific, literary, or
17 educational purposes require space for more than 50 attendees.

18 (j) Activities of a patriotic nature need facilities to accommodate
19 hundreds of people.

20 (k) Social and recreational activities for members require
21 precisely those areas considered "not used for charitable
22 purposes" by the State Board of Equalization.

23 (l) The State Board of Equalization's interpretation of the
24 Revenue and Taxation Code reflects a lack of understanding of
25 the purpose and programs of the veteran service organizations
26 posts or halls and is detrimental to the good works performed in
27 support of our veteran community.

28 **SECTION 1.**

29 *SEC. 2.* Section 215.1 of the Revenue and Taxation Code is
30 amended to read:

31 215.1. (a) All buildings, and so much of the real property on
32 which the buildings are situated as may be required for the
33 convenient use and occupation of the buildings, used exclusively
34 for charitable purposes, owned by a veterans' organization that
35 has been chartered by the Congress of the United States, organized
36 and operated for charitable purposes, when the same are used solely
37 and exclusively for the purpose of the organization, if not
38 conducted for profit and no part of the net earnings of which inures
39 to the benefit of any private individual or member thereof, shall
40 be exempt from taxation.

1 (b) The exemption provided for in this section shall apply to
2 the property of all organizations meeting the requirements of this
3 section and subdivision (b) of Section 4 of Article XIII of the
4 California Constitution and paragraphs (1) to (7), inclusive, of
5 subdivision (a) of Section 214.

6 (c) An organization that files a claim for the exemption provided
7 for in this section shall file with the assessor a valid organizational
8 clearance certificate issued pursuant to Section 254.6.

9 (d) (1) This exemption shall be known as the “veterans’
10 organization exemption.”

11 (2) Property owned by an organization that satisfies the
12 requirements of Section 215 or this section shall not be denied the
13 veterans’ organization exemption because the property is
14 occasionally made available for private rentals as a service to the
15 community, provided that the amount of rental fee charged is
16 limited to that amount necessary to reimburse the veterans’
17 organization for its costs in making the rental available, and any
18 proceeds from the rentals are used exclusively for the charitable
19 purposes of the organization.

20 ~~SEC. 2.~~

21 *SEC. 3.* Notwithstanding Section 2229 of the Revenue and
22 Taxation Code, no appropriation is made by this act and the state
23 shall not reimburse any local agency for any property tax revenues
24 lost by it pursuant to this act.

25 ~~SEC. 3.~~

26 *SEC. 4.* This act provides for a tax levy within the meaning of
27 Article IV of the Constitution and shall go into immediate effect.