

AMENDED IN ASSEMBLY MAY 16, 2016

AMENDED IN ASSEMBLY APRIL 28, 2016

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AMENDED IN ASSEMBLY FEBRUARY 25, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 1556

Introduced by Assembly Members Mathis and Weber
(Coauthor: Assembly Member Chávez)
(Coauthors: Senators Bates and Fuller)

January 4, 2016

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

LEGISLATIVE COUNSEL'S DIGEST

AB 1556, as amended, Mathis. Property taxation: exemptions: disabled veterans.

Existing property tax law provides, pursuant to the authorization of the California Constitution, a disabled veterans' property tax exemption for the principal place of residence of a veteran or a veteran's spouse, including an unmarried surviving spouse, if the veteran, because of injury incurred in military service, is blind in both eyes, has lost the use of 2 or more limbs, or is totally disabled, as those terms are defined, or if the veteran has, as a result of a service-connected injury or disease, died while on active duty in military service. Existing law exempts that part of the full value of the residence that does not exceed \$100,000,

or \$150,000, if the veteran's household income does not exceed \$40,000, adjusted annually for inflation, as specified.

This bill, ~~for property tax lien dates for the 2017–18 fiscal year and for each fiscal year thereafter, commencing with the lien date for the 2017–18 fiscal year,~~ would instead exempt that portion of the full value of the principal place of residence of a veteran or veteran's spouse that does not exceed \$2,100,000, adjusted annually for inflation, as specified. The bill would also define the term “blind in both eyes” to mean that the veteran is a blind person, as defined in a specific statute. The bill would also specify that a “totally disabled” veteran includes a veteran so severely disabled as to be unable to move without the aid of an assistive device. The bill would make other technical and conforming changes to the disabled veterans' property tax exemption. *The bill would repeal these provisions on the earlier of January 1, 2020, or the first property tax lien date following a determination by the Commission on State Mandates that these provisions impose reimbursable costs mandated by the state that are payable from the General Fund.*

By changing the manner in which local tax officials administer the disabled veterans' property tax exemption, this bill would impose a state-mandated local program.

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.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

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 and that is owned by the veteran, the
5 veteran's spouse, or the veteran and the veteran's spouse jointly
6 is exempted from taxation on that part of the full value of the
7 residence that does not exceed two million one hundred *thousand*
8 dollars (\$2,100,000), as adjusted for the relevant assessment year
9 as provided in subdivision (g), if the veteran is blind in both eyes,
10 has lost the use of two or more limbs, or if the veteran is totally
11 disabled as a result of injury or disease incurred in military service.

12 (b) (1) For purposes of this section, "veteran" means either of
13 the following:

14 (A) A veteran as specified in subdivision (o) of Section 3 of
15 Article XIII of the California Constitution, except for the limitation
16 on the value of property owned by the veteran or the veteran's
17 spouse.

18 (B) A person who would qualify as a veteran pursuant to
19 paragraph (1) except that he or she has, as a result of a
20 service-connected injury or disease, as determined by the United
21 States Department of Veterans Affairs, died while on active duty
22 in military service.

23 (2) For purposes of this section, property is deemed to be the
24 principal place of residence of a veteran, disabled as described in
25 subdivision (a), who is confined to a hospital or other care facility,
26 if that property would be that veteran's principal place of residence
27 were it not for his or her confinement to a hospital or other care
28 facility, provided that the residence is not rented or leased to a
29 third party. For the purposes of this paragraph, a family member
30 that resides at the residence is not a third party.

31 (c) (1) Property that is owned by, and that constitutes the
32 principal place of residence of, the unmarried surviving spouse of
33 a deceased veteran is exempt from taxation on that part of the full
34 value of the residence that does not exceed two million one hundred
35 *thousand* dollars (\$2,100,000), as adjusted for the relevant
36 assessment year as provided in subdivision (g), if the deceased
37 veteran was blind in both eyes, had lost the use of two or more

1 limbs, or was totally disabled, provided that either of the following
2 conditions is met:

3 (A) The deceased veteran during his or her lifetime qualified
4 for the exemption pursuant to subdivision (a), or would have
5 qualified for the exemption under the laws effective on January 1,
6 1977, except that the veteran died prior to January 1, 1977.

7 (B) The veteran died from a disease that was service-connected,
8 as determined by the United States Department of Veterans Affairs.

9 (2) Property that is owned by, and that constitutes the principal
10 place of residence of, the unmarried surviving spouse of a veteran
11 described in subparagraph (B) of paragraph (1) of subdivision (b)
12 is exempt from taxation on that part of the full value of the
13 residence that does not exceed two million one hundred *thousand*
14 dollars (\$2,100,000), as adjusted for the relevant assessment year
15 as provided in subdivision (g).

16 (3) Property is deemed to be the principal place of residence of
17 the unmarried surviving spouse of a deceased veteran, who is
18 confined to a hospital or other care facility, if that property would
19 be the unmarried surviving spouse's principal place of residence
20 were it not for his or her confinement to a hospital or other care
21 facility, provided that the residence is not rented or leased to a
22 third party. For purposes of this paragraph, a family member who
23 resides at the residence is not a third party.

24 (d) As used in this section, "property that is owned by a veteran"
25 or "property that is owned by the veteran's unmarried surviving
26 spouse" includes all of the following:

27 (1) Property owned by the veteran with the veteran's spouse as
28 a joint tenancy, tenancy in common, or as community property.

29 (2) Property owned by the veteran or the veteran's spouse as
30 separate property.

31 (3) Property owned with one or more other persons to the extent
32 of the interest owned by the veteran, the veteran's spouse, or both
33 the veteran and the veteran's spouse.

34 (4) Property owned by the veteran's unmarried surviving spouse
35 with one or more other persons to the extent of the interest owned
36 by the veteran's unmarried surviving spouse.

37 (5) That portion of the property of a corporation that constitutes
38 the principal place of residence of a veteran or a veteran's
39 unmarried surviving spouse when the veteran, the veteran's spouse,
40 or the veteran's unmarried surviving spouse is a shareholder of

1 the corporation and the rights of shareholding entitle one to the
2 possession of property, legal title to which is owned by the
3 corporation. The exemption provided by this paragraph shall be
4 shown on the local roll and shall reduce the full value of the
5 corporate property. Notwithstanding any law or articles of
6 incorporation or bylaws of a corporation described in this
7 paragraph, any reduction of property taxes paid by the corporation
8 shall reflect an equal reduction in any charges by the corporation
9 to the person who, by reason of qualifying for the exemption, made
10 possible the reduction for the corporation.

11 (e) For purposes of this section, the following definitions shall
12 apply:

13 (1) "Being blind in both eyes" means that the veteran is a blind
14 person, as that term is defined in Section 19153 of the Welfare
15 and Institutions Code as that section read on January 1, 2016.

16 (2) "Lost the use of two or more limbs" means that the limb has
17 been amputated or its use has been lost by reason of ankylosis,
18 progressive muscular dystrophies, or paralysis.

19 (3) "Totally disabled" means that the veteran has a disability
20 which the United States Department of Veterans Affairs or the
21 military service from which the veteran was discharged has rated
22 at 100 percent, or rated the disability compensation at 100 percent
23 by reason of being unable to secure or follow a substantially gainful
24 occupation, or the veteran is so severely disabled as to be unable
25 to move without the aid of an assistive device.

26 (f) An exemption granted to a claimant pursuant to this section
27 shall be in lieu of the veteran's exemption provided by subdivisions
28 (o), (p), (q), and (r) of Section 3 of Article XIII of the California
29 Constitution and any other real property tax exemption to which
30 the claimant may be entitled. No other real property tax exemption
31 shall be granted to any other person with respect to the same
32 residence for which an exemption has been granted pursuant to
33 this section; provided, that if two or more veterans qualified
34 pursuant to this section coown a property in which they reside,
35 each is entitled to the exemption to the extent of his or her interest.

36 (g) Commencing on January 1, 2018, and for each assessment
37 year thereafter, the exemption amounts set forth in subdivisions
38 (a) and (c) shall be compounded annually by an inflation factor
39 that is the annual percentage change, measured from February to
40 February of the two previous assessment years, rounded to the

1 nearest one-thousandth of 1 percent, in the California Consumer
2 Price Index for all items, as determined by the California
3 Department of Industrial Relations.

4 (h) The amendments made to this section by the act adding this
5 subdivision *shall apply for property tax lien dates for the 2017–18*
6 ~~fiscal year and for each fiscal year thereafter.~~ *commencing with*
7 *the lien date for the 2017–18 fiscal year.*

8 (i) *This section shall remain in effect only until, and is repealed*
9 *as of, the earlier of either of the following:*

10 (1) *January 1, 2020.*

11 (2) *The first property tax lien date following a determination*
12 *by the Commission on State Mandates that the amendments made*
13 *to this section by the act adding this subdivision impose*
14 *reimbursable costs mandated by the state pursuant to Part 7*
15 *(commencing with Section 17500) of Division 4 of Title 2 of the*
16 *Government Code that are payable from the General Fund.*

17 SEC. 2. Section 205.5 is added to the Revenue and Taxation
18 Code, to read:

19 205.5. (a) *Property that constitutes the principal place of*
20 *residence of a veteran and that is owned by the veteran, the*
21 *veteran's spouse, or the veteran and the veteran's spouse jointly*
22 *is exempted from taxation on that part of the full value of the*
23 *residence that does not exceed one hundred thousand dollars*
24 *(\$100,000), as adjusted for the relevant assessment year as*
25 *provided in subdivision (h), if the veteran is blind in both eyes,*
26 *has lost the use of two or more limbs, or is totally disabled as a*
27 *result of injury or disease incurred in military service. The*
28 *one-hundred-thousand-dollar (\$100,000) exemption shall be one*
29 *hundred fifty thousand dollars (\$150,000), as adjusted for the*
30 *relevant assessment year as provided in subdivision (h), in the*
31 *case of an eligible veteran whose household income does not*
32 *exceed the amount of forty thousand dollars (\$40,000), as adjusted*
33 *for the relevant assessment year as provided in subdivision (g).*

34 (b) (1) *For purposes of this section, "veteran" means either of*
35 *the following:*

36 (A) *A veteran as specified in subdivision (o) of Section 3 of*
37 *Article XIII of the California Constitution without regard to any*
38 *limitation contained therein on the value of property owned by the*
39 *veteran or the veteran's spouse.*

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

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

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

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

27 (B) The veteran died from a disease that was service connected
28 as determined by the United States Department of Veterans Affairs.

29 The one-hundred-thousand-dollar (\$100,000) exemption shall
30 be one hundred fifty thousand dollars (\$150,000), as adjusted for
31 the relevant assessment year as provided in subdivision (h), in the
32 case of an eligible unmarried surviving spouse whose household
33 income does not exceed the amount of forty thousand dollars
34 (\$40,000), as adjusted for the relevant assessment year as provided
35 in subdivision (g).

36 (2) Commencing with the 1994–95 fiscal year, property that is
37 owned by, and that constitutes the principal place of residence of,
38 the unmarried surviving spouse of a veteran as described in
39 subparagraph (B) of paragraph (1) of subdivision (b) is exempt
40 from taxation on that part of the full value of the residence that

1 *does not exceed one hundred thousand dollars (\$100,000), as*
2 *adjusted for the relevant assessment year as provided in*
3 *subdivision (h). The one-hundred-thousand-dollar (\$100,000)*
4 *exemption shall be one hundred fifty thousand dollars (\$150,000),*
5 *as adjusted for the relevant assessment year as provided in*
6 *subdivision (h), in the case of an eligible unmarried surviving*
7 *spouse whose household income does not exceed the amount of*
8 *forty thousand dollars (\$40,000), as adjusted for the relevant*
9 *assessment year as provided in subdivision (g).*

10 (3) *Beginning with the 2012–13 fiscal year and for each fiscal*
11 *year thereafter, property is deemed to be the principal place of*
12 *residence of the unmarried surviving spouse of a deceased veteran*
13 *who is confined to a hospital or other care facility if that property*
14 *would be the unmarried surviving spouse’s principal place of*
15 *residence were it not for his or her confinement to a hospital or*
16 *other care facility, provided that the residence is not rented or*
17 *leased to a third party. For purposes of this paragraph, a family*
18 *member who resides at the residence is not considered to be a*
19 *third party.*

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

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

25 (2) *Property owned by the veteran or the veteran’s spouse as*
26 *separate property.*

27 (3) *Property owned with one or more other persons to the extent*
28 *of the interest owned by the veteran, the veteran’s spouse, or both*
29 *the veteran and the veteran’s spouse.*

30 (4) *Property owned by the veteran’s unmarried surviving spouse*
31 *with one or more other persons to the extent of the interest owned*
32 *by the veteran’s unmarried surviving spouse.*

33 (5) *So much of the property of a corporation as constitutes the*
34 *principal place of residence of a veteran or a veteran’s unmarried*
35 *surviving spouse when the veteran, or the veteran’s spouse, or the*
36 *veteran’s unmarried surviving spouse is a shareholder of the*
37 *corporation and the rights of shareholding entitle one to the*
38 *possession of property, legal title to which is owned by the*
39 *corporation. The exemption provided by this paragraph shall be*
40 *shown on the local roll and shall reduce the full value of the*

1 corporate property. Notwithstanding any provision of law or
2 articles of incorporation or bylaws of a corporation described in
3 this paragraph, any reduction of property taxes paid by the
4 corporation shall reflect an equal reduction in any charges by the
5 corporation to the person who, by reason of qualifying for the
6 exemption, made possible the reduction for the corporation.

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

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

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

36 (h) Commencing on January 1, 2006, and for each assessment
37 year thereafter, the exemption amounts set forth in subdivisions
38 (a) and (c) shall be compounded annually by an inflation factor
39 that is the annual percentage change, measured from February to
40 February of the two previous assessment years, rounded to the

1 *nearest one-thousandth of 1 percent, in the California Consumer*
2 *Price Index for all items, as determined by the California*
3 *Department of Industrial Relations.*

4 *(i) This section shall become operative on the earlier of either*
5 *of the following:*

6 *(1) January 1, 2020.*

7 *(2) The first property tax lien date following a determination*
8 *by the Commission on State Mandates that the amendments made*
9 *by the act adding this section impose reimbursable costs mandated*
10 *by the state pursuant to Part 7 (commencing with Section 17500)*
11 *of Division 4 of Title 2 of the Government Code that are payable*
12 *from the General Fund.*

13 ~~SEC. 2.~~

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

18 ~~SEC. 3.~~

19 *SEC. 4.* If the Commission on State Mandates determines that
20 this act contains costs mandated by the state, reimbursement to
21 local agencies and school districts for those costs shall be made
22 pursuant to Part 7 (commencing with Section 17500) of Division
23 4 of Title 2 of the Government Code.

24 ~~SEC. 4.~~

25 *SEC. 5.* This act provides for a tax levy within the meaning of
26 Article IV of the California Constitution and shall go into
27 immediate effect.