

Introduced by Senator Stone

February 17, 2016

An act to amend Sections 51 and 205.5 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1104, as introduced, Stone. Property tax: senior and disabled veterans.

(1) The California Constitution generally limits ad valorem taxes on real property to 1% of the full cash value, as defined, of that property, and provides that the full cash value base may be adjusted each year by the inflationary rate not to exceed 2% for any given year.

Existing property tax law implementing this constitutional authority provides that the taxable value of real property is the lesser of its base year value compounded annually by an inflation factor not to exceed 2%, as provided, or its full cash value.

This bill would provide that the inflation factor shall not apply to the principal place of residence of a veteran, as defined, who is 65 years of age or older and honorably discharged from military service for any assessment year commencing on or after either January 1, 2017, or the veteran's 65th birthday, whichever occurs later.

By changing the manner in which local tax officials calculate the taxable value of real property owned by senior veterans, this bill would impose a state-mandated local program.

(2) 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 for inflation, as specified.

This bill, commencing with the lien date for the 2017–18 fiscal year and for each fiscal year thereafter, would instead exempt the full value of the principal place of residence of a veteran or veteran's spouse. The bill would also make technical and conforming changes to the disabled veterans' property tax exemption.

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.

(3) 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.

(4) 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.

(5) 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 51 of the Revenue and Taxation Code is
- 2 amended to read:
- 3 51. (a) For purposes of subdivision (b) of Section 2 of Article
- 4 XIII A of the California Constitution, for each lien date after the
- 5 lien date in which the base year value is determined pursuant to

1 Section 110.1, the taxable value of real property shall, except as
2 otherwise provided in subdivision (b) or (c), be the lesser of:

3 (1) Its base year value, compounded annually since the base
4 year by an inflation factor, which shall be determined as follows:

5 (A) For any assessment year commencing prior to January 1,
6 1985, the inflation factor shall be the percentage change in the cost
7 of living, as defined in Section 2212.

8 (B) For any assessment year commencing after January 1, 1985,
9 and prior to January 1, 1998, the inflation factor shall be the
10 percentage change, rounded to the nearest one-thousandth of 1
11 percent, from December of the prior fiscal year to December of
12 the current fiscal year in the California Consumer Price Index for
13 all items, as determined by the California Department of Industrial
14 Relations.

15 (C) For any assessment year commencing on or after January
16 1, 1998, the inflation factor shall be the percentage change, rounded
17 to the nearest one-thousandth of 1 percent, from October of the
18 prior fiscal year to October of the current fiscal year in the
19 California Consumer Price Index for all items, as determined by
20 the California Department of Industrial Relations.

21 (D) ~~In no event shall the~~ The percentage increase for ~~any an~~
22 assessment year determined pursuant to subparagraph (A), (B), or
23 (C) shall not exceed 2 percent of the prior year's value.

24 (E) *Notwithstanding any other law, the percentage increase for*
25 *an assessment year determined pursuant to subparagraph (A),*
26 *(B), or (C) shall not apply to the principal place of residence of a*
27 *veteran who is 65 years of age or older and was honorably*
28 *discharged from military service for any assessment year*
29 *commencing on or after either January 1, 2017, or the veteran's*
30 *65th birthday, whichever occurs later. For the purpose of this*
31 *subparagraph, "veteran" means a person who meets the criteria*
32 *specified in subdivision (o) of Section 3 of Article XIII of the*
33 *California Constitution, except for the limitation on the value of*
34 *property owned by the veteran or the veteran's spouse.*

35 (2) Its full cash value, as defined in Section 110, as of the lien
36 date, taking into account reductions in value due to damage,
37 destruction, depreciation, obsolescence, removal of property, or
38 other factors causing a decline in value.

39 (b) If the real property was damaged or destroyed by disaster,
40 misfortune, or calamity and the board of supervisors of the county

1 in which the real property is located has not adopted an ordinance
2 pursuant to Section 170, or any portion of the real property has
3 been removed by voluntary action by the taxpayer, the taxable
4 value of the property shall be the sum of the following:

5 (1) The lesser of its base year value of land determined under
6 paragraph (1) of subdivision (a) or full cash value of land
7 determined pursuant to paragraph (2) of subdivision (a).

8 (2) The lesser of its base year value of improvements determined
9 pursuant to paragraph (1) of subdivision (a) or the full cash value
10 of improvements determined pursuant to paragraph (2) of
11 subdivision (a).

12 In applying this subdivision, the base year value of the subject
13 real property does not include that portion of the previous base
14 year value of that property that was attributable to any portion of
15 the property that has been destroyed or removed. The sum
16 determined under this subdivision shall then become the base year
17 value of the real property until that property is restored, repaired,
18 or reconstructed or other provisions of law require establishment
19 of a new base year value.

20 (c) If the real property was damaged or destroyed by disaster,
21 misfortune or calamity and the board of supervisors in the county
22 in which the real property is located has adopted an ordinance
23 pursuant to Section 170, the taxable value of the real property shall
24 be its assessed value as computed pursuant to Section 170.

25 (d) For purposes of this section, “real property” means that
26 appraisal unit that persons in the marketplace commonly buy and
27 sell as a unit, or that is normally valued separately.

28 (e) Nothing in this section shall be construed to require the
29 assessor to make an annual reappraisal of all assessable property.
30 However, for each lien date after the first lien date for which the
31 taxable value of property is reduced pursuant to paragraph (2) of
32 subdivision (a), the value of that property shall be annually
33 reappraised at its full cash value as defined in Section 110 until
34 that value exceeds the value determined pursuant to paragraph (1)
35 of subdivision (a). In no event shall the assessor condition the
36 implementation of the preceding sentence in any year upon the
37 filing of an assessment appeal.

38 SEC. 2. Section 205.5 of the Revenue and Taxation Code is
39 amended to read:

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

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

(A) A veteran as specified in subdivision (o) of Section 3 of Article XIII of the California ~~Constitution without regard to any Constitution, except for the limitation contained therein~~ on the value of property owned by the veteran or the veteran's spouse.

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

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

(c) (1) Property that is owned by, and that constitutes the principal place of residence of, the unmarried surviving spouse of a deceased veteran is exempt from taxation ~~on that part of the full value of the residence that does not exceed one hundred thousand~~

1 dollars (\$100,000), as adjusted for the relevant assessment year as
2 provided in subdivision (h), in the case of a *if the deceased* veteran
3 who was blind in both eyes, had lost the use of two or more limbs,
4 or was totally ~~disabled~~ *disabled*, provided that either of the
5 following conditions is met:

6 (A) The deceased veteran during his or her lifetime qualified
7 ~~in all respects~~ for the exemption *pursuant to subdivision (a)*, or
8 would have qualified for the exemption under the laws effective
9 on January 1, 1977, except that the veteran died prior to January
10 1, 1977.

11 (B) The veteran died from a disease that was ~~service connected~~
12 *service-connected*, as determined by the United States Department
13 of Veterans Affairs.

14 ~~The one hundred thousand dollar (\$100,000) exemption shall~~
15 ~~be one hundred fifty thousand dollars (\$150,000), as adjusted for~~
16 ~~the relevant assessment year as provided in subdivision (h), in the~~
17 ~~case of an eligible unmarried surviving spouse whose household~~
18 ~~income does not exceed the amount of forty thousand dollars~~
19 ~~(\$40,000), as adjusted for the relevant assessment year as provided~~
20 ~~in subdivision (g).~~

21 (2) ~~Commencing with the 1994–95 fiscal year, property~~ *Property*
22 that is owned by, and that constitutes the principal place of
23 residence of, the unmarried surviving spouse of a veteran ~~as~~
24 ~~described in subparagraph (B) of paragraph (1) of subdivision (b)~~
25 ~~is exempt from taxation on that part of the full value of the~~
26 ~~residence that does not exceed one hundred thousand dollars~~
27 ~~(\$100,000), as adjusted for the relevant assessment year as provided~~
28 ~~in subdivision (h). The one hundred thousand dollar (\$100,000)~~
29 ~~exemption shall be one hundred fifty thousand dollars (\$150,000),~~
30 ~~as adjusted for the relevant assessment year as provided in~~
31 ~~subdivision (h), in the case of an eligible unmarried surviving~~
32 ~~spouse whose household income does not exceed the amount of~~
33 ~~forty thousand dollars (\$40,000), as adjusted for the relevant~~
34 ~~assessment year as provided in subdivision (g).~~ *taxation.*

35 (3) ~~Beginning with the 2012–13 fiscal year and for each fiscal~~
36 ~~year thereafter, property~~ *Property* is deemed to be the principal
37 place of residence of the unmarried surviving spouse of a deceased
38 veteran, who is confined to a hospital or other care facility, if that
39 property would be the unmarried surviving spouse's principal place
40 of residence were it not for his or her confinement to a hospital or

1 other care facility, provided that the residence is not rented or
2 leased to a third party. For purposes of this paragraph, a family
3 member who resides at the residence is not ~~considered to be~~ a third
4 party.

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

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

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

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

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

18 (5) ~~So much of the~~ *That portion of the* property of a corporation
19 ~~as that~~ constitutes the principal place of residence of a veteran or
20 a veteran’s unmarried surviving spouse when the veteran, ~~or the~~
21 veteran’s spouse, or the veteran’s unmarried surviving spouse is
22 a shareholder of the corporation and the rights of shareholding
23 entitle one to the possession of property, legal title to which is
24 owned by the corporation. The exemption provided by this
25 paragraph shall be shown on the local roll and shall reduce the full
26 value of the corporate property. Notwithstanding any ~~provision of~~
27 law or articles of incorporation or bylaws of a corporation described
28 in this paragraph, any reduction of property taxes paid by the
29 corporation shall reflect an equal reduction in any charges by the
30 corporation to the person who, by reason of qualifying for the
31 exemption, made possible the reduction for the corporation.

32 (e) For purposes of this section, ~~being the following definitions~~
33 *shall apply:*

34 (1) *“Being” blind in both-eyes eyes*” means having a visual
35 acuity of 5/200 or less, or concentric contraction of the visual field
36 to 5 degrees or ~~less; losing less~~.

37 (2) *“Lost the use of a limb two or more limbs”* means that the
38 limb has been amputated or its use has been lost by reason of
39 ankylosis, progressive muscular dystrophies, or ~~paralysis; and~~
40 ~~being totally disabled~~ *paralysis*.

1 (3) “*Totally disabled*” means that the United States Department
2 of Veterans Affairs or the military service from which the veteran
3 was discharged has rated the disability at 100 percent or has rated
4 the disability compensation at 100 percent by reason of being
5 unable to secure or follow a substantially gainful occupation.

6 (f) An exemption granted to a claimant ~~in accordance with the~~
7 ~~provisions of~~ *pursuant to* this section shall be in lieu of the
8 veteran’s exemption provided by subdivisions (o), (p), (q), and (r)
9 of Section 3 of Article XIII of the California Constitution and any
10 other real property tax exemption to which the claimant may be
11 entitled. No other real property tax exemption may be granted to
12 any other person with respect to the same residence for which an
13 exemption has been granted ~~under the provisions of~~ *pursuant to*
14 this section; provided, that if two or more veterans qualified
15 pursuant to this section coown a property in which they reside,
16 each is entitled to the exemption to the extent of his or her interest.

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

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

32 (g) *The amendments made to this section by the act adding this*
33 *subdivision apply for property tax lien dates for the 2017–18 fiscal*
34 *year and for each fiscal year thereafter.*

35 SEC. 3. 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.

39 SEC. 4. If the Commission on State Mandates determines that
40 this act contains costs mandated by the state, reimbursement to

1 local agencies and school districts for those costs shall be made
2 pursuant to Part 7 (commencing with Section 17500) of Division
3 4 of Title 2 of the Government Code.

4 SEC. 5. This act provides for a tax levy within the meaning of
5 Article IV of the Constitution and shall go into immediate effect.

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8 **CORRECTIONS:**

9 **Text—Page 3.**

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