

AMENDED IN SENATE MAY 11, 2016

SENATE BILL

No. 1104

Introduced by Senator Stone

February 17, 2016

An act to amend Sections ~~51 and 205.5~~ 51, 205.5, and 5813 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1104, as amended, 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. *Existing property tax law also provides that the taxable value of a manufactured home is the lesser of its base year value compounded annually by an inflation factor not to exceed 2% or its full cash value.*

~~This bill, for any assessment year commencing on or after January 1, 2017, would provide that the inflation factor shall not apply to the principal place of residence, including a manufactured home, of a qualified veteran, as defined, who is 65 years of age or older and on the lien date, was 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, service, and meets specified requirements.~~

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'~~ *veteran's* 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'~~ *veteran's* property tax exemption.

By changing the manner in which local tax officials administer the disabled ~~veterans'~~ *veteran's* 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:

SECTION 1. Section 51 of the Revenue and Taxation Code is amended to read:

51. (a) For purposes of subdivision (b) of Section 2 of Article XIII A of the California Constitution, for each lien date after the lien date in which the base year value is determined pursuant to Section 110.1, the taxable value of real property shall, except as otherwise provided in subdivision (b) or (c), be the lesser of:

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

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

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

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

(D) The percentage increase for an assessment year determined pursuant to subparagraph (A), (B), or (C) shall not exceed 2 percent of the prior year's value.

(E) (i) Notwithstanding any other law, *for any assessment year commencing on or after January 1, 2017*, the percentage increase for an assessment year determined pursuant to subparagraph (A), (B), or (C) shall not apply to the principal place of ~~residence~~ *residence, including so much of the land surrounding it as is reasonably necessary for use of the dwelling as a home, of a qualified veteran who is 65 years of age or older on the lien date*

1 and was honorably discharged from military service for any
2 assessment year commencing on or after either January 1, 2017,
3 or the veteran's 65th birthday, whichever occurs later. For service.

4 (ii) For the purpose of this subparagraph, ~~“veteran”~~ “qualified
5 veteran” means a person ~~who meets~~ who meets the following
6 criteria:

7 (I) He or she meets the criteria specified in subdivision (o) of
8 Section 3 of Article XIII of the California Constitution, except for
9 the limitation on the value of property owned by the veteran or the
10 veteran's spouse.

11 (II) If the qualified veteran is single, his or her annual income,
12 as defined in Section 20504, is less than fifty thousand dollars
13 (\$50,000).

14 (III) If the qualified veteran is married, his or her household
15 combined annual income, as defined in Section 20504, is less than
16 one hundred thousand dollars (\$100,000).

17 (iii) When claiming the benefit provided by this subparagraph,
18 the claimant shall provide all information required by, and answer
19 all questions contained in, an affidavit furnished by the assessor
20 to determine that the claimant is a qualified veteran. The assessor
21 may require additional proof of the information or answers
22 provided in the affidavit before allowing the benefit provided by
23 this subparagraph.

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

28 (b) If the real property was damaged or destroyed by disaster,
29 misfortune, or calamity and the board of supervisors of the county
30 in which the real property is located has not adopted an ordinance
31 pursuant to Section 170, or any portion of the real property has
32 been removed by voluntary action by the taxpayer, the taxable
33 value of the property shall be the sum of the following:

34 (1) The lesser of its base year value of land determined under
35 paragraph (1) of subdivision (a) or full cash value of land
36 determined pursuant to paragraph (2) of subdivision (a).

37 (2) The lesser of its base year value of improvements determined
38 pursuant to paragraph (1) of subdivision (a) or the full cash value
39 of improvements determined pursuant to paragraph (2) of
40 subdivision (a).

1 In applying this subdivision, the base year value of the subject
2 real property does not include that portion of the previous base
3 year value of that property that was attributable to any portion of
4 the property that has been destroyed or removed. The sum
5 determined under this subdivision shall then become the base year
6 value of the real property until that property is restored, repaired,
7 or reconstructed or other provisions of law require establishment
8 of a new base year value.

9 (c) If the real property was damaged or destroyed by disaster,
10 ~~misfortune~~ *misfortune*, or calamity and the board of supervisors
11 in the county in which the real property is located has adopted an
12 ordinance pursuant to Section 170, the taxable value of the real
13 property shall be its assessed value as computed pursuant to Section
14 170.

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

18 (e) Nothing in this section shall be construed to require the
19 assessor to make an annual reappraisal of all assessable property.
20 However, for each lien date after the first lien date for which the
21 taxable value of property is reduced pursuant to paragraph (2) of
22 subdivision (a), the value of that property shall be annually
23 reappraised at its full cash value as defined in Section 110 until
24 that value exceeds the value determined pursuant to paragraph (1)
25 of subdivision (a). In no event shall the assessor condition the
26 implementation of the preceding sentence in any year upon the
27 filing of an assessment appeal.

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

30 205.5. (a) Property that constitutes the principal place of
31 residence of a veteran, that is owned by the veteran, the veteran’s
32 spouse, or the veteran and the veteran’s spouse jointly, is exempted
33 from taxation if the veteran is blind in both eyes, has lost the use
34 of two or more limbs, or if the veteran is totally disabled as a result
35 of injury or disease incurred in military service.

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

38 (A) A veteran as specified in subdivision (o) of Section 3 of
39 Article XIII of the California Constitution, except for the limitation

1 on the value of property owned by the veteran or the veteran's
2 spouse.

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

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

16 (c) (1) Property that is owned by, and that constitutes the
17 principal place of residence of, the unmarried surviving spouse of
18 a deceased veteran is exempt from taxation if the deceased veteran
19 was blind in both eyes, had lost the use of two or more limbs, or
20 was totally disabled, provided that either of the following
21 conditions is met:

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

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

28 (2) Property that is owned by, and that constitutes the principal
29 place of residence of, the unmarried surviving spouse of a veteran
30 described in subparagraph (B) of paragraph (1) of subdivision (b)
31 is exempt from taxation.

32 (3) Property is deemed to be the principal place of residence of
33 the unmarried surviving spouse of a deceased veteran, who is
34 confined to a hospital or other care facility, if that property would
35 be the unmarried surviving spouse's principal place of residence
36 were it not for his or her confinement to a hospital or other care
37 facility, provided that the residence is not rented or leased to a
38 third party. For purposes of this paragraph, a family member who
39 resides at the residence is not a third party.

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

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

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

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

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

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

28 (e) For purposes of this section, the following definitions shall
29 apply:

30 (1) ~~“Being”~~ “*Being* blind in both eyes” means having a visual
31 acuity of 5/200 or less, or concentric contraction of the visual field
32 to 5 degrees or less.

33 (2) “Lost the use of two or more limbs” means that the limb has
34 been amputated or its use has been lost by reason of ankylosis,
35 progressive muscular dystrophies, or paralysis.

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

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

(g) The amendments made to this section by ~~the act adding this subdivision~~ *Senate Bill 1104 of the 2015–16 Regular Session of the Legislature* shall apply for property tax lien dates for the 2017–18 fiscal year and for each fiscal year thereafter.

SEC. 3. Section 5813 of the Revenue and Taxation Code is amended to read:

5813. ~~For~~ (a) For each lien date after the lien date for which the base year value is determined, the taxable value of a manufactured home shall be the lesser of:

(a)

(1) Its base year value, compounded annually since the base year by an inflation factor, which shall be the percentage change in the cost of living, as defined in Section 51, provided, that any percentage increase shall not exceed 2 percent of the prior year's value; ~~or value.~~

(b)

(2) Its full cash value, as defined in Section 5803, as of the lien date, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, or other factors causing a decline in value; ~~or value.~~

(c)

(3) If the manufactured home is damaged or destroyed by disaster, misfortune, or calamity, its value determined pursuant to ~~(b)~~ paragraph (2) shall be its base year value until the manufactured home is restored, repaired or reconstructed or other provisions of law require establishment of a new base year value.

(b) (1) Notwithstanding any other law, for any assessment year commencing on or after January 1, 2017, the percentage increase for an assessment year determined pursuant to paragraph (1) of subdivision (a) shall not apply to the principal place of residence

1 of a qualified veteran who owns a manufactured home as his or
2 her principal place of residence and who is 65 years of age or
3 older on the lien date and was honorably discharged from military
4 service.

5 (2) For the purpose of this subdivision, “qualified veteran”
6 means a person who meets the following criteria:

7 (A) He or she meets the criteria specified in subdivision (o) of
8 Section 3 of Article XIII of the California Constitution, except for
9 the limitation on the value of property owned by the veteran or the
10 veteran’s spouse.

11 (B) If the qualified veteran is single, his or her annual household
12 income, as defined in Section 20504, is fifty thousand dollars
13 (\$50,000) or less.

14 (C) If the qualified veteran is married, his or her combined
15 annual household income, as defined in Section 20504, is one
16 hundred thousand dollars (\$100,000) or less.

17 (3) When claiming the benefit provided by this subdivision, the
18 claimant shall provide all information required by, and answer
19 all questions contained in, an affidavit furnished by the assessor
20 to determine that the claimant is a qualified veteran. The assessor
21 may require additional proof of the information or answers
22 provided in the affidavit before allowing the benefit provided by
23 this subdivision.

24 ~~SEC. 3.~~

25 SEC. 4. Notwithstanding Section 2229 of the Revenue and
26 Taxation Code, no appropriation is made by this act and the state
27 shall not reimburse any local agency for any property tax revenues
28 lost by it pursuant to this act.

29 ~~SEC. 4.~~

30 SEC. 5. If the Commission on State Mandates determines that
31 this act contains costs mandated by the state, reimbursement to
32 local agencies and school districts for those costs shall be made
33 pursuant to Part 7 (commencing with Section 17500) of Division
34 4 of Title 2 of the Government Code.

35 ~~SEC. 5.~~

36 SEC. 6. This act provides for a tax levy within the meaning of
37 Article IV of the Constitution and shall go into immediate effect.

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