

AMENDED IN SENATE MARCH 28, 2016

**SENATE BILL**

**No. 1183**

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**Introduced by Senator Bates**

February 18, 2016

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

LEGISLATIVE COUNSEL'S DIGEST

SB 1183, as amended, Bates. ~~Income taxes: rates.~~ 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 for inflation, as specified.

This bill would instead exempt the full value of the principal place of residence of a veteran or veteran's spouse. 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.

*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.*

~~The Personal Income Tax Law imposes taxes upon taxable income at specified rates. Proposition 30, known as the Schools and Local Public Safety Protection Act of 2012, which was approved by the voters at the November 6, 2012, statewide general election, provides the tax rates applicable to specified amounts of taxable income that is over \$250,000 for taxable years beginning on or after January 1, 2012, and before January 1, 2019.~~

~~This bill would state the intent of the Legislature, for taxable years beginning on or after January 1, 2019, to modify the tax rates applicable to taxable income under the Personal Income Tax Law.~~

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

1 from taxation ~~on that part of the full value of the residence that~~  
2 ~~does not exceed one hundred thousand dollars (\$100,000), as~~  
3 ~~adjusted for the relevant assessment year as provided in subdivision~~  
4 ~~(h), if the veteran is blind in both eyes, has lost the use of two or~~  
5 ~~more limbs, or if the veteran is totally disabled as a result of injury~~  
6 ~~or disease incurred in military service. The one hundred thousand~~  
7 ~~dollar (\$100,000) exemption shall be one hundred fifty thousand~~  
8 ~~dollars (\$150,000), as adjusted for the relevant assessment year as~~  
9 ~~provided in subdivision (h), in the case of an eligible veteran whose~~  
10 ~~household income does not exceed the amount of forty thousand~~  
11 ~~dollars (\$40,000), as adjusted for the relevant assessment year as~~  
12 ~~provided in subdivision (g).~~

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

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

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

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

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

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

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

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

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

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

32 (3) ~~Beginning with the 2012-13 fiscal year and for each fiscal~~  
33 ~~year thereafter, property~~ *Property* is deemed to be the principal  
34 place of residence of the unmarried surviving spouse of a deceased  
35 veteran, who is confined to a hospital or other care facility, if that  
36 property would be the unmarried surviving spouse's principal place  
37 of residence were it not for his or her confinement to a hospital or  
38 other care facility, provided that the residence is not rented or  
39 leased to a third party. For purposes of this paragraph, a family

member who resides at the residence is not considered to be a third party.

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

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

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

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

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

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

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

(1) ~~“Being blind in both eyes means having a visual acuity of 5/200 or less, or concentric contraction of the visual field to 5 degrees or less; losing eyes”~~ *means that the veteran is a blind person, as that term is defined in Section 19153 of the Welfare and Institutions Code as that section read on January 1, 2016.*

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

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

(f) ~~An exemption granted to a claimant in accordance with the provisions of~~ *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 ~~under the provisions of~~ *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) Commencing on January 1, 2002, and for each assessment year thereafter, the household income limit shall be compounded annually by an inflation factor that is the annual percentage change, measured from February to February of the two previous assessment years, rounded to the nearest one-thousandth of 1 percent, in the California Consumer Price Index for all items, as determined by the California Department of Industrial Relations.~~

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

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

SEC. 2. Notwithstanding Section 2229 of the Revenue and Taxation Code, no appropriation is made by this act and the state

1 *shall not reimburse any local agency for any property tax revenues*  
2 *lost by it pursuant to this act.*

3 *SEC. 3. If the Commission on State Mandates determines that*  
4 *this act contains costs mandated by the state, reimbursement to*  
5 *local agencies and school districts for those costs shall be made*  
6 *pursuant to Part 7 (commencing with Section 17500) of Division*  
7 *4 of Title 2 of the Government Code.*

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

10 ~~SECTION 1. It is the intent of the Legislature, for taxable years~~  
11 ~~beginning on or after January 1, 2019, to modify the tax rates~~  
12 ~~applicable to taxable income under the Personal Income Tax Law.~~