

AMENDED IN SENATE MAY 10, 2016

AMENDED IN SENATE MAY 4, 2016

AMENDED IN SENATE MARCH 28, 2016

SENATE BILL

No. 1183

Introduced by Senator Bates
(Coauthor: Senator Nguyen)
(Coauthor: Assembly Member Mathis)

February 18, 2016

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

LEGISLATIVE COUNSEL'S DIGEST

SB 1183, as amended, Bates. 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, for property tax lien dates for the 2017–18 fiscal year and for each fiscal year thereafter, would instead exempt that portion of the full value of the principal place of residence of a veteran or

veteran's ~~spouse~~; *spouse that does not exceed \$1,000,000, 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.

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 *jointly* is exempted from taxation *on that part of the full value of*
- 7 *the residence that does not exceed one million dollars (\$1,000,000),*
- 8 *as adjusted for the relevant assessment year as provided in*

1 *subdivision (g)*, if the veteran is blind in both eyes, has lost the use
2 of two or more limbs, or if the veteran is totally disabled as a result
3 of injury or disease incurred in military service.

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

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

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

15 (2) For purposes of this section, property is deemed to be the
16 principal place of residence of a veteran, disabled as described in
17 subdivision (a), who is confined to a hospital or other care facility,
18 if that property would be that veteran’s principal place of residence
19 were it not for his or her confinement to a hospital or other care
20 facility, provided that the residence is not rented or leased to a
21 third party. For the purposes of this paragraph, a family member
22 that resides at the residence is not a third party.

23 (c) (1) Property that is owned by, and that constitutes the
24 principal place of residence of, the unmarried surviving spouse of
25 a deceased veteran is exempt from taxation *on that part of the full*
26 *value of the residence that does not exceed one million dollars*
27 *(\$1,000,000), as adjusted for the relevant assessment year as*
28 *provided in subdivision (g)*, if the deceased veteran was blind in
29 both eyes, had lost the use of two or more limbs, or was totally
30 disabled, provided that either of the following conditions is met:

31 (A) The deceased veteran during his or her lifetime qualified
32 for the exemption pursuant to subdivision (a), or would have
33 qualified for the exemption under the laws effective on January 1,
34 1977, except that the veteran died prior to January 1, 1977.

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

37 (2) Property that is owned by, and that constitutes the principal
38 place of residence of, the unmarried surviving spouse of a veteran
39 described in subparagraph (B) of paragraph (1) of subdivision (b)
40 is exempt from ~~taxation~~: *taxation on that part of the full value of*

1 *the residence that does not exceed one million dollars (\$1,000,000),*
2 *as adjusted for the relevant assessment year as provided in*
3 *subdivision (g).*

4 (3) Property is deemed to be the principal place of residence of
5 the unmarried surviving spouse of a deceased veteran, who is
6 confined to a hospital or other care facility, if that property would
7 be the unmarried surviving spouse's principal place of residence
8 were it not for his or her confinement to a hospital or other care
9 facility, provided that the residence is not rented or leased to a
10 third party. For purposes of this paragraph, a family member who
11 resides at the residence is not a third party.

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

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

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

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

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

25 (5) That portion of the property of a corporation that constitutes
26 the principal place of residence of a veteran or a veteran's
27 unmarried surviving spouse when the veteran, the veteran's spouse,
28 or the veteran's unmarried surviving spouse is a shareholder of
29 the corporation and the rights of shareholding entitle one to the
30 possession of property, legal title to which is owned by the
31 corporation. The exemption provided by this paragraph shall be
32 shown on the local roll and shall reduce the full value of the
33 corporate property. Notwithstanding any law or articles of
34 incorporation or bylaws of a corporation described in this
35 paragraph, any reduction of property taxes paid by the corporation
36 shall reflect an equal reduction in any charges by the corporation
37 to the person who, by reason of qualifying for the exemption, made
38 possible the reduction for the corporation.

39 (e) For purposes of this section, the following definitions shall
40 apply:

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

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

7 (3) “Totally disabled” means any of the following:

8 (A) The veteran has a disability which the United States
9 Department of Veterans Affairs or the military service from which
10 the veteran was discharged has rated at 100 percent.

11 (B) The veteran has disability compensation which the United
12 States Department of Veterans Affairs or the military service from
13 which the veteran was discharged has rated at 100 percent by
14 reason of the veteran being unable to secure or follow a
15 substantially gainful occupation.

16 (C) The veteran is so severely disabled as to be unable to move
17 without the aid of an assistive device.

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

28 (g) *Commencing on January 1, 2018, and for each assessment*
29 *year thereafter, the exemption amounts set forth in subdivisions*
30 *(a) and (c) shall be compounded annually by an inflation factor*
31 *that is the annual percentage change, measured from February to*
32 *February of the two previous assessment years, rounded to the*
33 *nearest one-thousandth of 1 percent, in the California Consumer*
34 *Price Index for all items, as determined by the Department of*
35 *Industrial Relations.*

36 ~~(g)~~

37 (h) The amendments made to this section by Senate Bill 1183
38 of the 2015–16 Regular Session of the Legislature shall apply for
39 property tax lien dates for the 2017–18 fiscal year and for each
40 fiscal year thereafter.

1 SEC. 2. Notwithstanding Section 2229 of the Revenue and
2 Taxation Code, no appropriation is made by this act and the state
3 shall not reimburse any local agency for any property tax revenues
4 lost by it pursuant to this act.

5 SEC. 3. If the Commission on State Mandates determines that
6 this act contains costs mandated by the state, reimbursement to
7 local agencies and school districts for those costs shall be made
8 pursuant to Part 7 (commencing with Section 17500) of Division
9 4 of Title 2 of the Government Code.

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