

AMENDED IN SENATE MAY 26, 2000
AMENDED IN SENATE APRIL 25, 2000
AMENDED IN SENATE APRIL 6, 2000
AMENDED IN SENATE MARCH 15, 2000
AMENDED IN SENATE FEBRUARY 23, 2000

SENATE BILL

No. 1362

**Introduced by Senators Poochigian, Johannessen, and Leslie
(Coauthors: Senators Costa, Dunn, Haynes, McPherson,
Monteith, Morrow, Peace, Rainey, and Solis)**

(Coauthors: Assembly Members Alquist, Baldwin, Bates, Battin, Bock, Brewer, Briggs, Campbell, Cardoza, Correa, Cox, Dickerson, House, Maddox, Maldonado, Margett, Mazzone, Olberg, Oller, Rod Pacheco, Reyes, Runner, Strickland, Wiggins, and Zettel)

January 18, 2000

An act to amend and repeal Section 205.5 of, to add Sections 276.1, 276.2, and 276.3 to, and to repeal and add Section 276 of, the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1362, as amended, Poochigian. Disabled veterans' exemption.

Existing property tax law provides, pursuant to the authorization of the California Constitution, for the exemption from property taxation of the home of a disabled

veteran, or a veteran's spouse in the case in which the veteran has, as a result of a service-connected disease or injury, died while on active duty in military service. Existing property tax law specifies an exemption amount of \$40,000 and increases that amount to \$100,000 in the case in which the disabled veteran is completely disabled. Existing law increases these amounts to \$60,000 and \$150,000, respectively, if the exemption claimant's income does not exceed an amount stated in a specified statute. Existing law also repeals the higher exemption amounts with regard to totally disabled veterans as of January 1, 2001.

This bill would, for purposes of an income threshold, substitute an income level of \$40,000 for the amount specified by a certain statute. This bill would provide for the annual adjustment of that income level for inflation for the 2002 assessment year and each assessment year thereafter. This bill would also require the exemption to be in the amount of \$100,000, or in the amount of \$150,000 if the claimant's income does not exceed the adjusted income threshold.

Existing property tax law generally requires an affidavit for the disabled veterans' exemption to be filed no later than the February 15 following the relevant lien date. It also provides for partial exemptions, each applicable as provided and contingent upon an affidavit being no later than the December 10 following the lien date, of the lesser of either certain amounts of assessed value or 80% of the full value of the real property to which the exemption is to be applied.

This bill would, subject to limitations periods, as set forth in a specified statute, revise and recast current partial exemption provisions to require the cancellation or refund of either 90% or 85% of those taxes, including any interest and penalties, levied on that portion of the property's assessed value that would have been exempted under a timely exemption claim, depending upon whether a claim is filed either within a specified period ending with the December 10 following the lien date, or after that period. This bill would also make technical, nonsubstantive changes to provisions regarding the application of the exemption to the 2nd installment of taxes on the secured property tax roll.



This bill would, if the exemption would have been available but for the claimant not having received a disability rating from the United States Department of Veterans Affairs, require the refund or cancellation of taxes on that portion of the assessed value of the property that would have been exempt under a timely and appropriate affidavit, provided a claimant meets certain filing requirements.

This bill would, in the case in which the subject real property was only acquired after the property tax lien date, also require the cancellation or refund of those taxes levied on the full exemption amount or a prorated amount, provided an appropriate affidavit is filed on or before the next property tax lien date.

This bill would also provide for the termination of a disabled veterans' exemption upon that subject property being transferred to a 3rd party that is not eligible for that exemption.

This bill would incorporate additional changes in Section 205.5 of the Revenue and Taxation Code, proposed by SB 2195, to be operative only if SB 2195 and this bill are both chaptered and become effective on or before January 1, 2001, and this bill is chaptered last.

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.

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
2 Taxation Code, as amended by Section 17 of Chapter 1087
3 of the Statutes of 1996, is amended to read:



1 205.5. (a) Property that is owned by, and that
2 constitutes the principal place of residence of, a veteran
3 is exempted from taxation on that part of the full value of
4 the residence that does not exceed forty thousand dollars
5 (\$40,000), if the veteran is blind in both eyes, has lost the
6 use of two or more limbs, or is totally disabled as a result
7 of injury or disease incurred in military service. The
8 exemption shall be sixty thousand dollars (\$60,000) in the
9 case of an eligible veteran whose household income does
10 not exceed the amount of forty thousand dollars
11 (\$40,000), as adjusted for the relevant fiscal year as
12 provided in subdivision (g).

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

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

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

26 (c) (1) Property that is owned by, and that constitutes
27 the principal place of residence of, the unmarried
28 surviving spouse of a veteran is exempt from taxation on
29 that part of the full value of the residence that does not
30 exceed forty thousand dollars (\$40,000) provided that
31 either of the following conditions is met:

32 (A) The deceased veteran during his or her lifetime
33 qualified in all respects for the exemption or would have
34 qualified for the exemption under the laws effective on
35 January 1, 1977, except that the veteran died prior to
36 January 1, 1977.

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



1 The exemption shall be sixty thousand dollars (\$60,000)
2 in the case of an eligible unmarried surviving spouse
3 whose household income does not exceed the amount of
4 forty thousand dollars (\$40,000), as adjusted for the
5 relevant assessment year as provided in subdivision (g).

6 (2) Property that is owned by, and that constitutes the
7 principal place of residence of, the unmarried surviving
8 spouse of a veteran as described in paragraph (2) of
9 subdivision (b) is exempt from taxation on that part of the
10 full value of the residence that does not exceed forty
11 thousand dollars (\$40,000). The forty thousand dollar
12 (\$40,000) exemption shall be sixty thousand dollars
13 (\$60,000), in the case of an eligible unmarried surviving
14 spouse whose household income does not exceed the
15 amount of forty thousand dollars (\$40,000), as adjusted for
16 the relevant assessment year as provided in subdivision
17 (g).

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

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

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

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

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

34 (5) So much of the property of a corporation as
35 constitutes the principal place of residence of a veteran
36 or a veteran’s unmarried surviving spouse when the
37 veteran, or the veteran’s spouse, or the veteran’s
38 unmarried surviving spouse is a shareholder of the
39 corporation and the rights of shareholding entitle one to
40 the possession of property, legal title to which is owned by



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

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

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

36 (g) To determine, for taxes that attach as a lien in 2002
37 and in each calendar year thereafter, whether the lower
38 or higher exemption amount governs the amount of an
39 exemption under this section, each household income
40 amount applied under subdivision (a) or (c) for taxes that



1 attached a lien during the immediately preceding
2 calendar year shall be adjusted by an inflation factor that
3 is the percentage change, rounded to the nearest
4 one-thousandth of 1 percent, from October of the prior
5 fiscal year to October of the current fiscal year, in the
6 California Consumer Price Index for all items, as
7 determined by the California Department of Industrial
8 Relations.

9 (h) This section shall become operative on January 1,
10 2001.

11 SEC. 1.5. Section 205.5 of the Revenue and Taxation
12 Code, as amended by Section 16.5 of Chapter 1087 of the
13 Statutes of 1996, is amended to read:

14 205.5. (a) Property that is owned by, and that
15 constitutes the principal place of residence of, a veteran
16 is exempted from taxation on that part of the full value of
17 the residence that does not exceed one hundred thousand
18 dollars (\$100,000), if the veteran is blind in both eyes, has
19 lost the use of two or more limbs, or if the veteran is totally
20 disabled as a result of injury or disease incurred in military
21 service. The one hundred thousand dollar (\$100,000)
22 exemption shall be one hundred fifty thousand dollars
23 (\$150,000), in the case of an eligible veteran whose
24 household income does not exceed the amount of forty
25 thousand dollars (\$40,000), as adjusted for the relevant
26 assessment year as provided in subdivision (g).

27 (b) For purposes of this section, “veteran” means
28 either of the following:

29 (1) A veteran as specified in subdivision (o) of Section
30 3 of Article XIII of the Constitution without regard to any
31 limitation contained therein on the value of property
32 owned by the veteran or the veteran’s spouse.

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

39 (c) (1) Property that is owned by, and that constitutes
40 the principal place of residence of, the unmarried



1 surviving spouse of a veteran is exempt from taxation on
2 that part of the full value of the residence that does not
3 exceed one hundred thousand dollars (\$100,000), in the
4 case of a veteran who was blind in both eyes, had lost the
5 use of two or more limbs, or was totally disabled provided
6 that either of the following conditions is met:

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

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

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

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

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

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



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

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

7 (4) Property owned by the veteran's unmarried
8 surviving spouse with one or more other persons to the
9 extent of the interest owned by the veteran's unmarried
10 surviving spouse.

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

28 (e) For purposes of this section, being blind in both
29 eyes means having a visual acuity of 5/200 or less, or
30 concentric contraction of the visual field to 5 degrees or
31 less; losing the use of a limb means that the limb has been
32 amputated or its use has been lost by reason of ankylosis,
33 progressive muscular dystrophies, or paralysis; and being
34 totally disabled means that the United States Department
35 of Veterans Affairs or the military service from which the
36 veteran was discharged has rated the disability at 100
37 percent or has rated the disability compensation at 100
38 percent by reason of being unable to secure or follow a
39 substantially gainful occupation.



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

14 (g) To determine, for taxes that attach as a lien in 2002
15 and in each calendar year thereafter, whether the lower
16 or higher exemption amount governs the amount of an
17 exemption under this section, each household income
18 amount applied under subdivision (a) or (c) for taxes that
19 attached as a lien during the immediately preceding
20 calendar year shall be adjusted by an inflation factor that
21 is the percentage change, rounded to the nearest
22 one-thousandth of 1 percent, from October of the prior
23 fiscal year to October of the current fiscal year, in the
24 California Consumer Price Index for all items, as
25 determined by the California Department of Industrial
26 Relations.

27 SEC. 2. Section 205.5 of the Revenue and Taxation
28 Code, as amended by Section 17 of Chapter 1087 of the
29 Statutes of 1996, is repealed.

30 SEC. 3. Section 276 of the Revenue and Taxation
31 Code is repealed.

32 SEC. 4. Section 276 is added to the Revenue and
33 Taxation Code, to read:

34 276. (a) Except as otherwise provided by subdivision
35 (b), for property for which the disabled veterans'
36 exemption described in Section 205.5 was available, but
37 for which a timely claim was not filed, a partial exemption
38 shall be applied in accordance with whichever of the
39 following is applicable:



1 (1) Ninety percent of any tax, including any interest or
2 penalty thereon, levied upon that portion of the assessed
3 value of the property that would have been exempt
4 under a timely and appropriate claim shall be canceled or
5 refunded, provided that an appropriate claim for
6 exemption is filed after 5 p.m. on February 15 of the
7 calendar year in which the fiscal year begins but on or
8 before the following December 10.

9 (2) If an appropriate claim for exemption is filed after
10 the time period specified in paragraph (1), 85 percent of
11 that portion of any tax, including any interest or penalty
12 thereon, that was levied upon that portion of the assessed
13 value of the property that would have been exempt
14 under a timely and appropriate claim, shall be canceled
15 or refunded. Cancellations or refunds made or issued
16 under this paragraph are subject to the limitations
17 periods on refunds as described in Section 5096.

18 (b) If *a late filed claim for the sixty-thousand dollar*
19 *(\$60,000) exemption is filed in conjunction with a timely*
20 *filed claim for the forty-thousand dollar (\$40,000)*
21 *exemption, or if a late filed claim for the one hundred fifty*
22 *thousand dollar (\$150,000) exemption is filed in*
23 *conjunction with a timely filed claim for the one hundred*
24 *thousand dollar (\$100,000) exemption, the amount of any*
25 *exemption allowed under the late-filed claim under*
26 *subdivision (a) shall be determined on the basis of that*
27 *portion of the exemption amount, otherwise available*
28 *under subdivision (a), that exceeds forty thousand dollars*
29 *(\$40,000) or one hundred thousand dollars (\$100,000), as*
30 *applicable.*

31 (c) For those claims filed pursuant to subdivision (a)
32 after November 15, the exemption under that subdivision
33 may be applied to the second installment. If that
34 exemption is so applied, the first installment is still
35 delinquent on December 10, and is subject to delinquent
36 penalties provided for in this division if that installment
37 is not timely paid. A refund shall be made to the taxpayer
38 upon a claim submitted to the auditor if the exemption is
39 applied to the second installment and either of the
40 following is true:



1 (1) ~~If both~~ *Both* installments are paid on or before
2 December 10.

3 (2) ~~If the~~ *The* reduction in taxes resulting from the
4 exemption exceeds the amount of taxes due on the second
5 installment.

6 SEC. 5. Section 276.1 is added to the Revenue and
7 Taxation Code, to read:

8 276.1. For property for which the disabled veterans'
9 exemption described in Section 205.5 would have been
10 available but for the taxpayer's failure to receive a timely
11 disability rating from the United States Department of
12 Veterans Affairs (USDVA), there shall be canceled or
13 refunded the amount of any taxes, including any interest
14 and penalties thereon, levied on that portion of the
15 assessed value of the property that would have been
16 exempt under a timely and appropriate claim, provided
17 that the claimant meets both of the following conditions:

18 (a) The claimant had an application pending with the
19 USDVA for a disability rating and subsequently received
20 a rating that qualifies the claimant for the disabled
21 veterans' exemption described in Section 205.5.

22 (b) The claimant subsequently files an appropriate
23 claim for the disabled veterans' exemption described in
24 Section 205.5 on or before the next following lien date.

25 SEC. 6. Section 276.2 is added to the Revenue and
26 Taxation Code, to read:

27 276.2. If the disabled veterans' exemption as
28 described in Section 205.5 would have been available for
29 a property, but for that property being acquired by a
30 person eligible for the exemption only after the lien date,
31 and an appropriate application for that exemption is filed
32 on or before the lien date in the calendar year next
33 following the calendar year in which the property was
34 acquired, there shall be canceled or refunded the amount
35 of any taxes, including any interest and penalties thereon,
36 levied on that portion of the assessed value of the
37 property that would have been exempt under a timely
38 and appropriate application.

39 SEC. 7. Section 276.3 is added to the Revenue and
40 Taxation Code, to read:



1 276.3. In the event that property receiving a disabled
2 veterans' exemption as described in Section 205.5 is sold
3 or otherwise transferred to a person that is not eligible for
4 that exemption, the exemption shall cease to apply on the
5 date of that sale or transfer.

6 SEC. 8. Sections 1.5 and 2 of this bill incorporate
7 amendments to Section 205.5 of the Revenue and
8 Taxation Code proposed by both this bill and SB 2195.
9 Sections 1.5 and 2 of this bill shall only become operative
10 if (1) both bills are enacted and become effective on or
11 before January 1, 2001, (2) each bill amends Section 205.5
12 of the Revenue and Taxation Code, and (3) this bill is
13 enacted after SB 2195, in which case Section 1 of this bill
14 shall not become operative.

15 SEC. 9. Notwithstanding Section 2229 of the Revenue
16 and Taxation Code, no appropriation is made by this act
17 and the state shall not reimburse any local agency for any
18 property tax revenues lost by it pursuant to this act.

19 SEC. 10. This act provides for a tax levy within the
20 meaning of Article IV of the Constitution and shall go into
21 immediate effect.

