



**STATE BOARD OF EQUALIZATION
STAFF LEGISLATIVE BILL ANALYSIS**

Date Introduced:	02/22/05	Bill No:	SB 1005
Tax:	Property	Author:	Florez
Related Bills:			

BILL SUMMARY

This bill would exempt from property tax the home of the unmarried surviving spouse of the following persons:

- A person who died while on active duty in the military as a result of a service-connected injury or disease.
- A public safety officer who died in the line of duty.

ANALYSIS

Current Law

Military Service. Section 4 of Article XIII of the California Constitution authorizes the Legislature to exempt in whole or in part the home of an unmarried surviving spouse of a person who dies while on active duty in military service if the death is service-connected. Revenue and Taxation Code 205.5 implements this constitutional provision and provides a property tax exemption in the amount of \$100,000 or \$150,000 depending upon household income.

Public Safety Officers. Existing law does not provide any property tax exemption to the unmarried surviving spouse of a public safety officer who dies in the line of duty.

Proposed Law

Military Service. This bill would add Section 205.6 to the Revenue and Taxation Code to exempt from the ad valorem property tax the home of an unmarried surviving spouse of a person who dies while on active duty in military service if the death was service-connected.

Public Safety Officers. This bill would add Section 205.7 to the Revenue and Taxation Code to establish a property tax exemption for the unmarried surviving spouse of a qualified sworn peace officer who dies in the line of duty.

This bill is keyed as a tax levy and would be effective upon chaptering; however, its provisions would not be operative until the January 1, 2006 lien date for the 2006-07 fiscal year.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board's formal position.

In General

Article XIII, Section 4 of the California Constitution provides that the Legislature may exempt from property tax, in whole or in part, the home of a person or a person's spouse, including an unmarried surviving spouse, if the person, because of injury incurred in military service, is totally disabled. This exemption is commonly referred to as the "disabled veterans' exemption." The disabled veterans' exemption is also available to the surviving spouse of a person who has died as a result of a service-connected injury or death while on active duty in military service.

Revenue and Taxation Code Section 205.5 provides the statutory implementation of the disabled veterans' exemption. An exemption at the standard level of \$100,000 is provided on a one-time filing basis to qualified persons. If household income is less than a specified amount, the amount of the exemption is increased to \$150,000 and a claim must be filed every year to reaffirm income eligibility. The income threshold for the "low income exemption" is adjusted annually by an inflation factor. For the 2005 assessment year, the household income limit is \$44,907. Beginning in 2006, the amount of the exemption provided will also be adjusted annually by an inflation factor.

Person	Qualification	Standard Exemption	Low Income Exemption
Veteran	Disability Rating @ 100%	\$100,000	\$150,000
Veteran	Disability Compensation @ 100%	\$100,000	\$150,000
Surviving Unmarried Spouse	Disabled Veteran	\$100,000	\$150,000
Surviving Unmarried Spouse	Active Duty Service Connected Death	\$100,000	\$150,000

COMMENTS

1. **Sponsor and Purpose.** This author is sponsoring this measure to provide financial relief to surviving spouses of those killed in active duty in military service or in the line of duty if a public safety officer.
2. **Proposition 160 amended the constitution in 1992 to expand the disabled veterans' exemption to include the surviving spouse of a person who died while on active duty if the death was service connected.** Prior to this constitutional amendment, the law allowed a surviving spouse of totally disabled veteran to continue to receive the exemption after the disabled veteran's death as long as he or she did not remarry. But there was no provision to extend an exemption to the surviving spouse of a person who had died as a result of his or her

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military service. ACA 40 (Res. Chap. 40, Stats. 1992, Brulte) placed Proposition 160 on the ballot to correct this inequity.

3. **With respect to military service-related deaths, the constitution provides that the Legislature may exempt in whole or in part the home of unmarried surviving spouse.** Currently, only a partial exemption of the first \$100,000 of assessed value or \$150,000 of assessed value if household income is less than \$44,907 is provided. This bill would increase the exemption currently provided to unmarried surviving spouses of persons who died while on active duty to the full assessed value of the home.
4. **Constitutional Issues - Public Safety Officers.** Establishing a property tax exemption for surviving spouses of public safety officers could be problematic in that there is no authorization for this exemption in the constitution and it could be subject to challenge in the courts. Exemptions of real property from the ad valorem property tax generally require a constitutional amendment.
5. **The exemption would terminate if the surviving spouse ever moved from the home he or she previously shared with the deceased.** As currently drafted, the bill only applies to property that was (or would have been if under construction or in escrow) the principal place of residence of the deceased on the date of death. In the case of a military service related death, the spouse would then be entitled to the \$100,000 or \$150,000 exemption provided under existing law on the new home. In the case of the spouse of a public safety officer, no other exemption would be available.
6. **This bill would exempt the home from the ad valorem property tax, but not other special taxes or assessments, if any.** The unmarried surviving spouse may still receive a property tax bill for other taxes, assessments, fees, or charges, related to the property that are imposed by local governments and collected via the property tax bill as direct levies.
7. **Currently there are 20,814 persons claiming a disabled veterans' exemption on their homes in California.** It is unknown how many of those are eligible based on an active duty death rather than a disability. Other bills before the Legislature in recent years proposed increasing the amount of the exemption to all persons qualified for the disabled veterans' exemption. In contrast, this bill is limited in scope to those surviving spouses of persons who died on active duty.
8. **Claiming procedures.** This bill does not address the claim filing procedures or late filing provisions generally provided for in law for other exemptions. Additional amendments may be needed to fully implement this bill.

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COST ESTIMATE

The Board would incur some minor absorbable costs in informing and advising local county assessors, the public, and staff of the law changes as well as addressing ongoing implementation questions and issues.

REVENUE ESTIMATE

Under this bill, there are certain qualifications the surviving spouse must satisfy before receiving a full exemption. The exemption is only applicable to the primary residence that the surviving spouse co-owned with the deceased spouse at the time of death. Also, the surviving spouse is ineligible for the exemption if he or she remarries.

It is not possible to estimate the revenue loss to local governments with any degree of accuracy because:

- we are unable to determine the marital status or homeownership status of deceased veterans or public safety officers on the date of death.
- we do not know the current marital status of surviving spouses, or whether or not their primary residence has changed since the death of their spouse.

As a result, we cannot reasonably determine the number of primary residences that would qualify for this exemption. We can however, estimate a potential ceiling to this bill using casualty data and statewide assessed value data.

For the purpose of this estimate, the scope and focus of this exemption is restricted to surviving spouses of veterans or public safety officers who died within the past 15 years. Included for purposes of this estimate are veteran casualties beginning with Operation Desert Storm and Desert Shield in 1990-91, continuing on through present day Operations Enduring Freedom and Iraqi Freedom. Public safety officer fatalities in the line of duty will be considered for the same period.

California Military Veterans. According to the U.S. Department of Defense and the Gulf War Veterans Memorial, there were 18 casualties of California military service personnel resulting from Operations Desert Storm and Desert Shield. Operations Enduring Freedom and Iraqi Freedom casualties for California military service personnel is currently 184, as reported by the U.S. Department of Defense and independent website iCasualties.org. We estimate that 300 of the current 20,814 persons claiming the disabled veterans' exemption would qualify for this exemption.

California Public Safety Officers. According to the National Law Enforcement Officers Memorial Fund, California has suffered more law enforcement line-of-duty deaths historically than any other state. California law enforcement officers represent 8.2% of the nation's line-of-duty casualties. Over the past 10 years, staff estimates that California loses 13 law enforcement officers each year, including local police and sheriff, California Highway Patrol and state prison guards, and federal law enforcement officers and prison guards.

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According to the U.S. Fire Administration (USFA) and the Federal Emergency Management Agency (FEMA), 7 California firefighters die each year in the line of duty.

The National Emergency Medical Services Memorial Service Reports that 1 California Emergency Medical Technician dies each year in the line of duty. In summary, we estimate a total of approximately 207 surviving spouses of California Public Safety Officers may qualify for this exemption.

The total statewide assessed value of properties receiving the homeowners' exemption for 2004-05 was \$1,269,205,969,000. The total number of homeowners' exemptions was 5,434,285. Therefore, the statewide average assessed value per property can be computed as follows:

$$\$1,269,205,969,000 / 5,434,285 = \$233,555.$$

Based on the preceding casualty data, the number of surviving spouses who would initially qualify for this exemption is about 500. It should be noted that those 500 surviving spouses would have to have owned and remained in the same primary residence as they resided at the time of their spouse's death, and they would have not remarried.

Total revenue loss to local government is computed as follows:

$$\$233,555 \times 500 \times 1\% = \$1.2 \text{ million}$$

While 500 surviving spouses represent a starting point, staff believes the actual number that would qualify under this bill is significantly lower.

Revenue Summary

This bill would result in a potential annual loss to local government of \$1.2 million. It is not possible to predict the increase in the number of properties that would qualify in the future.

Qualifying Remarks

The U.S. Department of Defense and the U.S. Census report that between 1990 and 2002, there were 14,000 active-duty military deaths. Staff estimates that Californians account for 8% to 12% of those deaths. What staff cannot estimate, and the Department of Defense and the Census cannot provide, is how many of those deaths were considered service-connected.

The National Office of the Actuary, Policy and Planning Department of Veterans Affairs reports total veteran deaths in California were approximately 60,000 to 65,000 per year for years 2001, 2002, 2003, and 2004. However, it is unknown how many of those deaths were service-connected, and if so, the marital status of the deceased veteran.

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The U.S. Census reports that between 300,000 and 315,000 dependents of deceased veterans, whose death was the result of a service-connected injury or disease, received pensions and compensation benefits annually for the years 2000, 2001, 2002, and 2003. Staff estimates that 8% to 12%, or 24,000 to 37,800, of those deceased veterans were California residents. It is unknown if the dependent(s) is a surviving, unmarried spouse, or a child of the deceased veteran, or if they even reside in California.

Potentially, spouses of veterans whose death was the result of a service-connected injury or disease, could number in the thousands. However, staff believes that the scope of this exemption eliminates most surviving spouses whose loss occurred prior to 1990. If the spouse remarries, this exemption does not apply. If the spouse does not own or reside in the same primary residence as at the time of the deceased spouse's death, this exemption does not apply. Families residing in military housing would not qualify. If the surviving spouse does happen to qualify for this exemption, but the death was more than fifteen years ago, it is likely that the base year value of their home is such that a regular disabled veteran exemption would cover the entire amount, resulting in a full exemption.

Data was solicited from both state and federal government agencies, both successfully and unsuccessfully, for this estimate.

Finally, staff can at best estimate only a starting point. It is impossible to determine the number of deceased veterans in the course of coming years.

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