



STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE BILL ANALYSIS

Date Introduced:	01/26/04	Bill No:	SB 1147
Tax:	Property	Author:	Hollingsworth, et al
Board Position:		Related Bills:	

BILL SUMMARY

This bill would allow persons whose homes were damaged or destroyed in the 2003 Southern California fires to retain the homeowners' exemption on their property for the 2004-2005 fiscal year.

ANALYSIS

Current Law

Article XIII, Section 3(k) of the California Constitution exempts from the property tax the first \$7,000 of the assessed value of an owner-occupied principal place of residence. This exemption is commonly referred to as the "homeowners' exemption."

Section 218 of the Revenue and Taxation Code provides that the \$7,000 homeowners' exemption authorized by Article XIII, Section 3(k) of the California Constitution is available to a dwelling, as defined, which is occupied as the owner's principal place of residence. Eligibility is generally continuous once granted. However, if a property becomes vacant or is under construction on the (January 1, 2004) lien date, the property would not be eligible for the exemption for the upcoming tax year.

Proposed Law

This measure would amend Section 218 of the Revenue and Taxation Code to provide that any dwelling that qualified for an exemption under this section prior to October 15, 2003, that was damaged or destroyed by fire in a disaster, as declared by the Governor, during October or November 2003, and that has not changed ownership since October 15, 2003, will not be disqualified as a "dwelling" or be denied an exemption under this section solely on the basis that the dwelling was temporarily damaged or destroyed or was being reconstructed by the owner.

COMMENTS

- Sponsor and Purpose.** The author is the sponsor of this measure to provide some financial relief to persons whose homes were damaged or destroyed in the fires.
- Homes that are uninhabitable on the lien date are technically ineligible for the exemption for the 2004-2005 fiscal year under current law.** Many homes were damaged and destroyed in the Southern California fires of October/November 2003 and therefore will not qualify for a homeowners' exemption on January 1, 2004 pursuant to Section 218.
- This would allow homeowners whose residences were damaged or destroyed in the Southern California fires to retain the exemption on their property while they are in the process of rebuilding their homes.** Some counties have reported that, as required by Section 218, they will be removing the homeowners' exemption for the January 1, 2004 lien date from properties that are no longer inhabitable as they reassess the damaged properties to provide property tax reductions due to the fire damage.

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.

4. **Related Legislation.** In two previous disasters, the Oakland/Berkeley Hills fire of 1991 and the Los Angeles civil riots of April and May of 1992, legislation was enacted to extend the homeowners exemption to damaged or destroyed homes. [Ch. 1180, Stats. 1992 (SB 1639) and Ch. 17X, Stats. 1992 (AB 38 X)].
5. **Tax Levy.** In order to allow these provisions to be applicable for the January 1, 2004 lien date, and thus receive the exemption applicable for the 2004-2005 fiscal year, this measure would need to be effective immediately, as this bill provides.

COST ESTIMATE

With respect to administration, the Board would incur insignificant costs in informing and advising local county assessors, the public, and staff of the law changes. These costs are estimated to be under \$10,000.

REVENUE ESTIMATE

Background, Methodology, and Assumptions

Existing property tax law provides for a homeowners' property tax exemption in the amount of \$7,000 of the full value of a "dwelling," as defined. This bill would provide that any dwelling that qualified for the exemption prior to October 15, 2003 and that was damaged or destroyed by fire in a disaster, may not be denied the exemption solely on the basis that the dwelling was temporarily damaged or destroyed or was being reconstructed by the owner.

This bill would extend these provisions to losses in the counties of Los Angeles, Riverside, San Bernardino, San Diego, and Ventura

County	Damaged Homes	Number with HOX	Exempt Value *	Total Exempt (# x \$7,000)	2002-03 Average Tax Rate	Continued Subvention
Los Angeles	81	81	\$7,000	\$567,000	1.109%	\$6,288
Riverside	20	20	\$7,000	\$140,000	1.096%	\$1,534
San Bernardino	1,358	704	\$7,000	\$4,928,000	1.106%	\$54,504
San Diego	2,400	1,560	\$7,000	\$10,920,000	1.067%	\$116,516
Ventura	32	32	\$7,000	\$224,000	1.088%	\$2,437
Totals	3,891	2,397		\$16,779,000	1.080%	\$181,280

*Assumes that the damaged property will retain an assessed value of at least \$7,000.

Revenue Summary

The local jurisdictions are reimbursed by the state for their losses due to the homeowners' exemption (HOX). This bill would require the state to continue to subvene these amounts. Based on the calculations above, we estimate the revenue impact to be about \$200,000 annually. The impact will decrease over time as these homes are rebuilt and the owners are once again eligible for the homeowners' exemption under existing law.

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