



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

**DRAFT**

Date Introduced:	<b>02/24/06</b>	Bill No:	<b>SB 1637</b>
Tax:	<b>Property</b>	Author:	<b>Committee on Veterans Affairs</b>
Related Bills:			

**BILL SUMMARY**

This California Assessors’ Association sponsored bill addresses a number of housekeeping provisions related to the disabled veterans’ exemption. In addition, it requires that a person claiming the disabled veterans’ exemption provide their social security number or other personal identifying number, and makes the claim confidential.

**ANALYSIS**

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 or disease 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 that the disabled veterans’ exemption is available to property that constitutes the principal place of residence of a veteran who has a disability rating at 100 percent or has a disability compensation rating at 100 percent because he or she is unable to secure or follow a substantially gainful occupation.

<b>Qualification</b>	<b>Basic Exemption</b>	<b>Low Income Exemption</b>
<p style="text-align: center;"><b>Veteran</b></p> <p>Disability Rating = 100% Disability Compensation = 100% Blind Lost Two or More Limbs</p> <p style="text-align: center;"><b>Spouse of Military Personnel</b></p> <p>Surviving Spouse of Disabled Veteran Surviving Spouse of Person Killed in Active Duty</p>	\$100,000 as adjusted for inflation	\$150,000 as adjusted for inflation

The amount of the exemption depends upon the claimant’s income. For the 2006-07 fiscal year, the basic exemption adjusted for inflation is \$103,107. If the claimant’s income is less than \$46,302, the exemption amount is \$154,661.

*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.*

The specific elements of this **California Assessors' Association sponsored bill** to address disabled veterans' exemption issues are as follows.

**Supplemental Assessments – Late Filed Claims**  
Revenue and Taxation Code Section 75.21

**Current Law**

Existing law allows the disabled veterans' exemption to be applied to any supplemental assessment. (A supplemental assessment generally results in a tax bill that reflects a reassessment of a property to its current market value because of a change in ownership.) To claim the exemption on a supplemental assessment, Section 75.21(c) requires that the claim be filed within 30 days of the date on the notice of supplemental assessment. However, if a claim is made after this date, the exemption is still available but at a reduced level.

With respect to the disabled veterans' exemption, if a claim is filed after the specified 30 day period, Section 75.21(c)(3) allows 80 percent of the exemption to be applied.

**Proposed Law**

This bill would amend Section 75.21 to increase the amount of the exemption provided from 80 percent to 90 percent (or 85 percent), as specified.

**Comments**

**Purpose.** This provision is intended to increase the exemption provided to a disabled veteran on a supplemental assessment in the event that a claim is filed after the 30 day period.

**Delayed Disability Ratings**  
Revenue and Taxation Code Section 276.1

**Current Law**

Section 276 provides that when a person eligible for the disabled veterans' exemption files a claim after the deadline, the exemption can still be received, but at a reduced level.

Section 276.1 provides an exception to this general rule. If a person filed a late claim due to a pending disability rating from the United States Department of Veterans Affairs (USDVA), the full level of the exemption will be granted, provided the claim is filed within a specified period of receiving the disability rating.

**Proposed Law**

This bill would amend Section 276.1 to expressly provide that the effective date of the exemption is the effective date of the disability.

### Comments

1. **Purpose.** This provision would clarify the effective date of the exemption in cases of delayed disability ratings. In some cases, counties have based the effective date of the exemption on the next lien date after the claim is filed.
2. **Suggested amendments.** There is a distinction between the effective date of the disability and the date the USDVA makes a disability rating decision. The date of the determination could be a much later date. Possible amendments are noted below.

In addition, because of the proposed relettering of the subdivisions, new subdivision (b) does not directly reference the limitation on refunds of taxes previously paid, which could cause confusion.

(b) Subject to the provisions regarding cancellations and the limitations periods on refunds, the disabled veterans' exemption applies beginning on the effective date of disability as determined by the USDVA. ~~'s determination of the claimant's disability rating.~~

### Portability of Disabled Veterans' Exemption Revenue and Taxation Code Section 276.2

#### Current Law

Sections 276.2 and 272.3 allow a person to immediately terminate and transfer the disabled veterans' exemption from one home to another.

Prior to these provisions being enacted in 2000, it was possible that a disabled veteran would not receive the full benefit of the exemption the first year after purchasing a new home. And in some cases, the buyer of the disabled veteran's prior home received the benefit of the exemption.

The various 58 county assessor offices use different administrative procedures for providing the disabled veterans' exemption on a property for the first time, depending upon the factual circumstances.

#### Proposed Law

This bill would add subdivision (b) to Section 276.2 to expressly provide that its provisions apply regardless of the mechanism used to grant the full amount of the exemption to a newly qualifying home: i.e., the annual property tax bill, a supplemental assessment, or an escape assessment. In addition, it expressly provides for the exemption to be appropriately prorated.

### Comments

1. **Purpose.** This provision is a housekeeping proposal to expressly list the different administrative procedures that might be used to give disabled veterans their exemption (i.e., applied to the regular annual tax bill, applied to a tax bill resulting from supplemental assessment, or applied to a tax bill resulting from an escape assessment.) In addition, with respect to midyear changes, it expressly states that the exemption be prorated to apply to the period of time the property is the primary residence.
2. **Suggested Amendment.** There appears to be a blending of the two possible types of situations where Section 276.2 applies: that is (1) when the claimant buys a new home or (2) the claimant already owned the home and subsequently moves in. The following corrective amendment is suggested.

(b) The entire amount of the exemption applies to any property tax assessment, including a supplemental and escape assessment, that was made and that served as a lien against the property. ~~while the claimant who owns the property used that property as his or her principal place of residence. The exemption amount shall be prorated from the date that the property owned by the claimant became the claimant's principal place of residence.~~

However, the exemption shall be appropriately prorated to reflect the period of time that the property is the principal place of residence of an eligible person. In the case of a newly acquired property, the exemption shall be prorated as of the date of acquisition. In the case of a property previously owned but was not the principal place of residence, the exemption shall be prorated as of the date the property becomes the principal place of residence.

### Social Security Numbers

Revenue and Taxation Code Section 277 and 408

### Current Law

Section 277 lists the information that is required to be provided on the disabled veterans' claim form.

Currently, a claim for the disabled veterans' exemption is treated as a public record and is open to public inspection. A statement to this effect is included at the bottom of the claim form to inform claimants.

### Proposed Law

This bill would amend Section 277 to require that a person claiming the exemption provide their social security number or another personal identifying number.

In addition, this bill would amend Section 408 to provide that disabled veterans' claim forms are not public documents and not open to public inspection to insure the confidentiality of these claims.

As required by Section 3 of Article I of the California Constitution, this bill makes Legislative findings to demonstrate the interest protected by providing that these claim forms are not public documents and the need for protecting that interest.

### Comments

1. **Purpose.** To be able to address possible duplicate claims for the disabled veterans' exemption since there is no method of determining if claimants are the same person filing in multiple counties.
2. **This bill does not require the Board to act as the statewide clearinghouse for disabled veterans' exemption claims.** The Board currently maintains a database, as required by Section 218.5, to monitor claims for the homeowners' exemption to prevent multiple claims from being made.

### COST ESTIMATE

Assuming the Board is not required to act as the statewide clearinghouse for disabled veterans' exemption claims, then any other costs to the Board would be absorbable.

### REVENUE ESTIMATE

This bill has a negligible revenue impact.

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