



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

Date Introduced:	02/22/08	Bill No:	<u>AB 2568</u>
Tax:	Property	Author:	Houston
Related Bills:	AB 1485 (Jeffries)		

BILL SUMMARY

This bill would exempt from property tax the home of any person eligible for the disabled veterans' exemption.

ANALYSIS

CURRENT LAW

Section 4(a) of Article XIII of the California Constitution authorizes the Legislature to exempt, 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. Persons qualified for the exemption are detailed in the table below. The amount of the exemption depends upon the claimant's income. For the 2008-09 fiscal year, the basic exemption adjusted for inflation is \$111,296. If the claimant's income is less than \$49,979, the exemption amount is \$166,944.

QUALIFICATION	BASIC EXEMPTION	LOW INCOME EXEMPTION
<p>Disabled Veteran</p> <p>Disability Rating = 100% Disability Compensation = 100% Blind Lost Two or More Limbs</p>	<p>\$100,000 as adjusted for inflation</p> <p>(Currently, \$111,296)</p>	<p>\$150,000 as adjusted for inflation</p> <p>(Currently, \$166,944)</p>
<p>Spouse of Military Personnel</p> <p>Surviving Spouse of Disabled Veteran Surviving Spouse of Person Killed in Active Duty</p>		

PROPOSED LAW

This bill would amend Section 205.5 of the Revenue and Taxation Code to fully exempt from the ad valorem property tax the home of any person qualified to receive the disabled veterans' exemption.

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, 2009 lien date for the 2009-10 fiscal year.

COMMENTS

1. **Sponsor and Purpose.** The author is sponsoring this measure to “provide much needed tax relief to those families who have sacrificed the most.”
2. **The Constitution provides that the Legislature may exempt in whole or in part the home of a disabled veteran and their unmarried surviving spouse.** Currently, only a partial exemption of the first \$111,296 of assessed value, or \$166,940 of assessed value if household income is less than \$49,979, is provided. This bill would increase the exemption currently provided in statute to the full assessed value of the home as authorized by the California Constitution.
3. **This bill would exempt the home from the ad valorem property tax, but not other special taxes or assessments, if any.** Persons eligible for the disabled veterans' exemption 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.
4. **Related Bills.** Last year, AB 1485 (Jefferies) would have also provided a full exemption to qualified claimants as introduced. AB 1485 was ultimately amended to instead increase the current exemption amounts to \$200,000 and \$250,000, respectively, and was held in the Assembly Appropriations Committee.

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

BACKGROUND, METHODOLOGY, AND ASSUMPTIONS

For 2007-08, there were a total of 25,920 persons claiming the disabled veterans' exemption in California.

- There were 21,042 persons claiming the regular disabled veterans' exemptions (i.e., eligible for an exemption amount of \$111,296). Staff estimates that 60 percent—or 12,625—have assessed values of less than \$111,296 and thus would not be affected under this bill because their homes are already fully exempt from the property tax under the current exemption amounts. Thus, this bill would increase the exemption provided for the remaining 40 percent or 8,417 persons.
- There were 4,878 persons claiming the low-income disabled veterans' exemptions in 2007-08 (i.e., eligible for the higher exemption amount of \$166,944). Staff estimates

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.

that 50 percent—or 2,439—have assessed values of less than \$166,944 and would also not be affected because their homes are already fully exempt from the property tax under the current exemption amounts. Thus, this bill would increase the exemption provided for the remaining 50 percent or 2,439 persons.

Based on an analysis of the current veterans' exemptions in a number of counties, we estimate the distribution of affected claims as follows:

Regular disabled veterans' exemption

<u>2007-08 Assessed Value</u>	<u>Number</u>
\$111,296 and over	21,042-12,625 = 8,417

Low-income disabled veterans' exemption

<u>2007-08 Assessed Value</u>	<u>Number</u>
\$166,944 and over	4,878-2,439 = 2,439

For 2007-08, the average assessed value of parcels receiving the homeowners' exemption is \$300,371. The affected difference in value at the basic 1% property tax rate is then:

Regular disabled veterans' exemption

$$[\$300,371 - \$111,296] \times 8,417 \text{ claims} \times 1\% = \$15.91 \text{ million}$$

Low-income disabled veterans' exemption

$$[\$300,371 - \$166,944] \times 2,439 \text{ claims} \times 1\% = \$3.25 \text{ million}$$

REVENUE SUMMARY

This bill would result in annual property tax revenue loss of \$19.16 million.

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