



Legislative Bill Analysis

[Senate Constitutional Amendment 6 \(Archuleta\)](#)

April 26, 2023 (Amended)

Program: Property Taxes

Section 3 of Article XIII

Effective: Immediately

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Summary: This bill would allow a dwelling that receives the homeowners' exemption to also receive the veterans' exemption or the disabled veteran's exemption. In addition, the measure would authorize the Legislature to exempt property eligible for the veterans' exemption in an amount up to the full value of the property.

Fiscal Impact Summary: Estimated annual revenue loss of \$28 million.

Existing Law: The California Constitution¹ provides that all property is taxable unless explicitly exempted by either the Constitution or federal law.

Homeowners' Exemption. The California Constitution exempts from property tax the first \$7,000 of assessed value for owner-occupied principal places of residence, commonly known as the "homeowners' exemption."² Under existing law, the homeowners' exemption cannot be combined with any other real property exemption. The California Constitution also requires the state to reimburse local governments for the property tax revenue loss associated with this exemption. The Constitution provides two exemptions for veterans.

Veterans' Exemption. The California Constitution provides a veterans' exemption, not to exceed \$4,000, for qualified veterans who own limited property.³ The veterans' exemption may be claimed by a person currently serving in military service or one who has been honorably discharged, the unmarried surviving spouse, or either parent of a deceased veteran meeting the service requirements. In order to qualify for this exemption, the claimant may not own property, real and personal, worth more than \$5,000 if the claimant is single. If married, the couple may not own property worth more than \$10,000. In addition, the claimant must have lived in California on the lien date, January 1.

Disabled Veterans' Exemption. The California Constitution⁴ allows the Legislature to implement a property tax exemption for disabled veterans. The legislature did so by enacting and Revenue and Taxation Code section [205.5](#), which exempts fully or partially from property tax, the principal place of residence of a veteran, that is owned by the veteran, the veteran's spouse, or jointly by the veteran and the veteran's spouse, if the veteran because of injury or disease incurred in military service, is blind in both eyes, has lost the use of two or more limbs, or is totally disabled. The exemption also applies to property that is owned by, and is the principal place of residence of, the unmarried surviving spouse of a deceased veteran if the deceased veteran qualified for the exemption during the veteran's lifetime or if the veteran died from a disease that was service connected as determined by the United States Department of Veterans Affairs (USDVA). This exemption is commonly referred to as the "disabled veterans' exemption." Currently, a disabled veteran must have a disability rating of 100 percent to be eligible for the exemption; no partial exemption is allowed for a rating less than 100 percent.

¹ Cal. Const., [art. XIII](#), § [1](#).

² Cal. Const., art. XIII, § 3, subd. (k); Rev. & Tax. Code, § [218](#).

³ Cal. Const., art. XIII, § 3, subds. (o), (p), (q), (r); see also Rev. & Tax. Code, § 205.

⁴ Cal. Const., art. XIII, § [4](#), subd. (a).

The law provides two levels of exemption, depending upon the claimant's income. The exemption and income amounts are annually adjusted by the percentage change in the California Consumer Price Index in February. For the 2023-24 fiscal year, the basic exemption adjusted for inflation is \$161,083. However, if the claimant's income is less than \$72,335, the exemption amount available is \$241,627. For the 2022-23 assessment year, 68,114 disabled veterans, or their unmarried surviving spouses were granted the disabled veterans' exemption.

Proposed Law:

Verifying Eligibility for Exemption. This bill would allow a dwelling that receives the homeowners' exemption to also receive the veterans' exemption or the disabled veteran's exemption. The measure would authorize the Legislature to exempt property eligible for the veterans' exemption in an amount up to the full value of the property.

In General:

Veterans' Exemption. In order to qualify for the veterans' exemption, a person must first be considered a veteran by the government by meeting certain criteria regarding his or her service as a veteran. A *veteran* means a person serving or who has served in and has been discharged under honorable conditions from service, in the United States Army, Navy, Air Force, Marine Corps, Coast Guard, or Revenue Marine (Revenue Cutter) Service; and served in either of the following:⁵

- In time of war or in time of peace in a campaign or expedition for which a medal has been issued to the veteran by Congress, or
- In time of peace and because of a service-connected disability was released from active duty.

Persons from the National Guard or National Guard Reserve who are called into active service as part of the Armed Forces of the United States may also qualify for the veterans' exemption.

There are 26 wars and 4 campaigns that qualify for the veterans' exemption. The majority of the wars and campaigns listed were over 100 years ago, dating back to the Revolutionary War. Twenty-two of the 26 wars that ended prior to 1902 are not listed below, since the likelihood of any qualified veterans or, if deceased, their spouses or parents, are no longer living. The following wars or campaigns are those which may still have living qualified claimants:

- War with Germany-Austria, April 6, 1917 - November 11, 1918
- World War II, December 7, 1941 - January 1, 1947
- Campaign against the North Koreans and Chinese Communists in Korea, June 27, 1950 - January 31, 1955
- Campaign against the Viet Cong and North Vietnamese Communists in South Vietnam, August 5, 1964 - May 8, 1975
- First Nicaraguan campaign, July 29, 1912 - November 14, 1912
- Second Nicaraguan campaign, August 27, 1926 - January 2, 1933
- Yangtze River campaign in China, September 3, 1926 - October 21, 1927, or March 1, 1930 - December 31, 1932
- All other campaigns for service in which a medal has been issued to the veteran by the Congress of the United States

To apply for the veterans' exemption, a claim must be filed each year with the Assessor of the county where the property is located. The claim form, BOE-261, *Claim for Veterans' Exemption*, is available from the County Assessor. When making the first claim, any person claiming the veterans' exemption, or the spouse, legal

⁵ Cal. Const., art. XIII, § 3, subds. (o), (p), & (q).

guardian, or conservator of such person, or one who has been granted a power of attorney by such person, must appear before the County Assessor, give all information required, answer all questions in an affidavit prescribed by the State Board of Equalization (BOE), and subscribe and swear to the affidavit before the County Assessor. In subsequent years the person claiming the veterans' exemption, or the spouse, legal guardian, or conservator of such person, or one who has been granted a power of attorney by such person, may file the affidavit under penalty of perjury by mail. To receive the full 100 percent exemption for property owned on the January 1 lien date, the claim must be filed by February 15.

Disabled Veterans' Exemption. California law provides a qualified disabled veteran, or their unmarried surviving spouse may apply for the disabled veterans' exemption to reduce the assessed value of their principal residence. Exemption eligibility provisions require that the claimant obtain a USDVA disability rating that either (1) rates the veteran's disability at 100 percent, or (2) rates the veteran's disability compensation at 100 percent because the veteran is unable to secure and maintain gainful employment.

The law also allows unmarried surviving spouses to receive the exemption if the spouse's death was service connected. In the case of a service-connected death, to be eligible for the exemption, surviving spouses must receive a USDVA determination that the spouse's death was service connected. A USDVA determination is necessary for (1) active-duty personnel deaths (i.e., the service person was not a "veteran"), and (2) veterans without a 100 percent rating when alive, but whose cause of death is deemed service connected. Surviving spouses of veterans continue to receive the exemption after the veteran's death, so long as they do not remarry.

Revenue and Taxation Code section [277](#) requires that anyone claiming the disabled veterans' exemption must file a claim with the County Assessor and provide any information required by the BOE. This information shall include, but shall not be limited to, the name of the person claiming the exemption, the person's social security number or another personal identifying number, the address of the property, and a statement to the effect that the claimant owned and occupied the property as the claimant's principal place of residence on the lien date, or that the claimant intends to own and occupy the property as the claimant's principal place of residence on the next succeeding lien date, and proof of disability as defined by section 205.5. The claim form, BOE-261-G, *Claim for Disabled Veterans' Property Tax Exemption*, is available from the County Assessor. Currently, a disabled veteran must have a disability rating of 100 percent to be eligible for the exemption; no partial exemption is allowed for a rating less than 100 percent.

Commentary:

- 1. Related Legislation.** [Senate Bill \(SB\) 871 \(Archuleta\)](#) appears to be the companion measure to SCA 6 and would allow a dwelling that receives the homeowners' exemption to also receive the veterans' exemption or the disabled veterans' exemption. In addition, [SB 653 \(Archuleta\)](#) would allow individuals to claim both the homeowners' property tax exemption and the veterans' exemption. [Assembly Bill 1014 \(Schiavo\)](#) would allow a claimant to combine the disabled veterans' exemption with any other real property exemption to which the claimant may be entitled, including the regular veterans' exemption.
- 2. Property Eligible for the Veterans' Exemption.** The veterans' exemption applies to "property," which means anything that a person owns, including both real property and personal property (i.e., autos, boats, furniture, etc.). This exemption is not limited to a principal residence.
- 3. Veterans' Exemption Currently Obsolete.** Veterans who do not own homes, but own other taxable property (i.e., a boat or business personal property) are disqualified from the veterans' exemption if they own property worth more than \$5,000 (if single) or \$10,000 (if married). Consequently, the veterans' exemption (\$4,000) has become effectively obsolete because for any veteran who owns a home, the homeowners' exemption of \$7,000 provides greater tax savings. Most recent BOE data indicate zero applications for the veterans' exemption.

4. **Disabled Veterans' Exemption Limitation.** This bill appears to allow the homeowners' exemption in addition to the veterans' or disabled veterans' exemption. However, section 4(a) of article XIII of the California Constitution does not allow the disabled veterans' exemption to be used in conjunction with any other real property exemption. Thus, regardless of the proposed change to section 3(k) of article XIII, a disabled veteran receiving the disabled veterans' exemption would not be able to also receive the homeowners' exemption. If the author intends for a principal residence of a 100 percent disabled veteran to receive *both* the disabled veterans' exemption and the homeowners' exemption, then article XIII, section 4(a) will also have to be amended. The author may wish to consider the following:

SEC. 4. The Legislature may exempt from property taxation in whole or in part:

(a) 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 blind in both eyes, has lost the use of 2 or more limbs, or is totally disabled, or if the person has, as a result of a service-connected injury or disease, died while on active duty in military service.

5. **Veterans' Exemption - Multiple Properties.** While the homeowners' and disabled veterans' exemptions apply only to a principal residence, the veterans' exemption is not limited to type of property, either real or personal. Will there be a limit to how many veterans' exemptions a veteran will be allowed statewide? If there is to be a limit, an Assessor would not know if the veterans' exemption has been granted on property in another county. To prevent multiple claims in different counties, a new statewide tracking program will be needed.
6. **Principal Residence Exemption.** Generally, a principal residence is eligible for one exemption – either the homeowners' or the disabled veterans' exemption. If two spouses own and occupy a home, only one homeowners' exemption is available on that principal residence. However, if the two spouses are disabled veterans who each have a 100 percent disability rating, both are eligible for the disabled veterans' exemption on their respective shares of ownership in the principal residence.

Costs: The BOE would incur costs of approximately \$37,000 in 2024-25, and \$6,000 for the fiscal years thereafter.

Revenue Impact: *Housing Assistance Council*, a national non-profit that supports affordable housing, analyzed the Census Bureau's 2015-2019 American Community Survey data, and estimated 689,477 veteran owner-occupied units in California. Based on the 689,477 estimate and the \$4,000 veterans' exemption, the additional amount of estimated exempt value is \$2.8 billion (689,477 homes × \$4,000 veterans' exemption).

Granting veterans the additional \$4,000 exemption would result in estimated annual revenue loss of \$28 million (1% property tax rate × \$2.8 billion exemption value).