



## Legislative Bill Analysis

[Senate Bill 667](#) (Roth)

Date: August 30, 2021 (Amended)

Program: Property Taxes

Revenue and Taxation Code section 277

Effective: Immediately

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**Summary:** This bill would allow the executor, administrator or personal legal representative of a disabled veterans' estate or the trustee of a deceased claimant's trust assets to file a claim for exemption with the County Assessor on behalf of the estate.

**Summary of Amendment:** The August 30, 2021 amendment allows a personal legal representative of a disabled veteran's estate or a trustee of the deceased disabled veteran's trust to file a claim for exemption with the County Assessor. The amendment also adds Senator Melendez as a coauthor.

**Fiscal Impact Summary:** Staff estimated the impact of a single refund claim. Based on the 2021-22 basic exemption amount, the refund claim would be \$1,475 (\$147,535 X 1%) per claim granted. If the veteran qualified for the lower income exemption amount, the refund would be \$2,213 (\$221,304 x 1%) per claim granted.

**Existing Law:** The California Constitution<sup>1</sup> authorizes the Legislature to exempt partially or fully from property tax, the home of a veteran or spouse, including an unmarried surviving spouse, that has incurred certain injuries during military service, including blindness in both eyes, lost use of 2 or more limbs, or totally disabled. The exemption also applies if a person has, because of a service-connected injury or disease, died while on active duty in military service. This exemption is commonly referred to as the "disabled veterans' exemption."

Revenue and Taxation Code (RTC) section 277<sup>2</sup> requires that anyone claiming the disabled veterans' exemption must file a claim with the County Assessor.

### Proposed Law:

**Expands Who Can File Exemption Claims.** The proposed law allows the executor, administrator, or personal legal representative of a deceased veteran's estate or the trustee of the deceased veteran's trust assets to file the information required by RTC section 277 with the County Assessor on behalf of the estate.

**Technical Changes.** The proposed law makes technical changes in RTC section 277, changing "his or her" to "the claimant's."

**In General:** California law provides a qualified disabled veteran, their spouse, or their unmarried surviving spouse with a property tax exemption that applies to their home's assessed value. Exemption eligibility provisions require that the claimant obtain a United States Department of Veterans Affairs (USDVA) disability rating that either (1) rates the veteran's disability at 100% or (2) rates the veteran's disability compensation at 100% because the veteran is unable to secure and maintain gainful

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<sup>1</sup> [Section 4\(a\)](#) of Article XIII of the California Constitution and Revenue and Taxation Code section 205.5.

<sup>2</sup> [RTC section 277](#)

employment.

The law also allows surviving spouses to receive the exemption, if the spouse's death was service connected. 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% rating when alive, but whose cause of death is deemed service connected. Surviving spouses of veterans with a 100% disability rating during their lifetime continue to receive the exemption after the veteran's death so long as they do not remarry.

The exemption amount depends upon the claimant's income. For the 2021-22 fiscal year, the basic exemption adjusted for inflation will be \$147,535. However, if the claimant's income is less than \$66,251, the exemption amount will be \$221,304. For the 2020 assessment year 59,063 disabled veterans or their unmarried surviving spouses were granted the exemption.

### Commentary:

1. **Summary of Amendments.** The **August 30, 2021** amendment expanded who could file the exemption claim with the County Assessor to include a personal legal representative for the deceased veteran's estate and a trustee of the deceased veteran's trust.
2. **Trustee Confusion.** The bill authorizes a trustee of a deceased claimant's trust assets to file for the exemption. A trustee is an individual who is given control or powers of administration of property in a trust with a legal obligation to administer it as defined by the terms of the trust and not the trust's assets. This possible limitation may exclude trustees from filing for the exemption. The author may wish to consider clarifying the definition of trustee.
3. **Statute of Limitations.** Would this allow for executors and administrators to apply retroactively, and if so, would it apply to properties that have since been sold?
4. **Heirs.** This bill allows the executor, administrator or personal legal representative of the claimant's estate and a trustee of the deceased claimant's trust to file a claim with the County Assessor; however, it is unclear whether a claim may be filed for past periods when the disabled veteran was alive and qualified for the exemption but did not file a claim, or whether a claim may be filed for periods of time the estate owns the property after the disabled veteran's death, or both. The statute should be amended to make this clear.
5. **Number of Disabled Veterans' Exemptions by location.** For 2020-2021, counties with the most disabled veterans' exemptions in descending order include: (1) San Diego: 10,238; (2) Riverside: 7,175; (3) Los Angeles: 4,586; (4) San Bernardino: 3,995; (5) Sacramento: 3,140; (6) Solano: 2,595; (7) Orange: 2,383; (8) Kern: 1,615; (9) Contra Costa: 1,556; and (10) Ventura: 1,504.
6. **Related Bills.** SB 658 (Grove) proposes to allow a partial disabled veterans' exemption for a veteran with a disability or compensation rating at less than 100%.

**Costs:** The BOE would incur absorbable costs to update claim forms and issue guidance.

**Revenue Impact:** Existing property tax law provides a disabled veterans' exemption to military personnel, or their spouses, in the event of a service-connected injury, disease, or death, as specified. The

law provides a basic exemption amount of \$100,000 but increases that amount to \$150,000 if the claimant's household income does not exceed \$40,000, with all amounts adjusted for inflation. For 2021--22, the basic exemption amount is \$147,535. The lower income exemption amount is \$221,304 for claimants with a household income below \$66,251.

Staff cannot predict or estimate the number of refund claims that would be initiated under SB 667. Each case would be unique with the number of years claimed by the executor, administrator, or personal representative of the deceased veteran's estate or the trustee of a deceased veteran's trust. Hence, it is extremely difficult to estimate an overall revenue loss.

Staff estimated the impact of a single refund claim. Based on the 2021-22 basic exemption amount, the refund claim would be \$1,475 ( $\$147,535 \times 1\%$ ) per claim granted. If the veteran qualified for the lower income exemption amount, the refund would be \$2,213 ( $\$221,304 \times 1\%$ ) per claim granted.