



Legislative Bill Analysis

[Senate Bill 871](#) (Archuleta)
March 22, 2023 (Amended)
Program: Property Taxes
Section 218 of Revenue & Taxation Code
Effective: Immediately

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Summary: This bill would allow a dwelling that receives the veterans' exemption or the disabled veterans' exemption to also receive the homeowners' exemption.

Fiscal Impact Summary: Estimated annual revenue loss of \$3.8 million to local governments.

Existing Law: Revenue and Taxation Code (RTC) section [218](#) states that the homeowners' property tax exemption is in the amount of the assessed value of the dwelling specified in the section, as authorized by subdivision (k) of section 3 of article XIII of the California Constitution¹. The exemption is in the amount of \$7,000 of the full assessed value for owner occupied principal places of residence and is commonly known as the "homeowners' 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.² 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 or 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.

To apply for the veterans' exemption, a claim must be filed each year with the Assessor of the county where the property is located. When making the first claim, any 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, 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.

This exemption has become effectively obsolete because, for any veteran who owns a home, the homeowners' exemption of \$7,000 provides greater tax savings. 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 with an aggregate worth of more than \$5,000 (if single) or \$10,000 (if married). Most recent BOE data indicate zero applications for this exemption.

Disabled Veterans' Exemption. Revenue and Taxation Code section [205.5](#) 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.

¹ Cal. Const., art. XIII, § 3, subd. (k).

² Cal. Const., art. XIII, § 3, subs. (o), (p), (q), (r); see also Rev. & Tax. Code, § 205.

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".

RTC 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 RTC section 205.5. 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.

Proposed Law:

Verifying Eligibility for Exemption. This bill amends section 218 of the RTC to allow a dwelling that receives the veterans' exemption or the disabled veterans' exemption to also receive the homeowners' exemption. The bill provides that the state shall not reimburse local agencies for any property tax revenue lost pursuant to the bill.

Senate Bill (SB) 871 would take effect immediately as a tax levy, but its operative date would depend on voter approval of a Senate Constitutional Amendment (SCA) of the 2023-24 session. Staff assumes this is referring to [SCA 6](#).

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 their 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:³

- In times of war or in times of peace, in a campaign or expedition for which a medal has been issued to the veteran by Congress, or
- In times of peace and because of a service-connected disability, they were 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 specified wars and campaigns 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 it is likely that 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

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

- 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. 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.

The law provides two levels of exemption, depending upon the claimant's income. For the 2023-24 fiscal year, the basic exemption adjusted for inflation will be \$161,083. However, if the claimant's income is less than \$72,335, the exemption amount will be \$241,627. For the 2022-23 assessment year, 68,114 disabled veterans, or their unmarried surviving spouses were granted the disabled veterans' exemption.

Commentary:

1. **Related Legislation.** [SB 653 \(Archuleta\)](#) would allow individuals to claim both the homeowners' property tax exemption and the veterans' exemption. [AB 1014 \(Schiavo\)](#) would allow a claimant to combine the disabled veterans' with any other real property exemption to which the claimant may be entitled, including the regular veterans' exemptions. [SCA 6 \(Archuleta\)](#) would allow a dwelling that receives the veterans' exemption or the disabled veteran's exemption to also receive the homeowners' exemption.
2. **Veterans' Exemption.** As discussed above, SB 871 applies to both the veterans' and disabled veterans' exemptions. 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. 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). Most recent BOE data indicate zero applications for the veterans' exemption. With the assumption that all veterans who qualify are already taking the

homeowners' exemption, the revenue impact of this proposal, as discussed below, is based on the disabled veterans' exemption.

- 3. Operative Date.** SB 871 would take effect immediately as a tax levy, but it's operative date would depend on voter approval of an SCA of the 2023-24 session. Staff assumes that this is referring to SCA 6 (Archuleta).

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

Revenue Impact: In 2022-23, 68,114 disabled veterans' exemptions claims were granted: 63,266 at the basic level and 4,848 at the low-income level. For 2022-23, the basic exemption amount was \$149,993. The low-income exemption amount was \$224,991 for claimants with a household income below \$67,335.

Based on a survey of several counties, staff estimates this bill will not impact 21 percent of homes receiving the basic exemption (13,286 homes), nor 24 percent of homes receiving the low-income exemption (1,164 homes), a total of 14,449 homes. These homes are already fully exempt because they have an assessed value of less than \$149,993 and \$224,991, respectively. Thus, this bill will either fully exempt from property tax or greatly increase the current exemption amount for an additional 53,665 homes (68,114 – 14,449). The exemption value is estimated to be \$375.7 million (53,665 homes × \$7,000 homeowners' exemption).

Granting disabled veterans the homeowners' exemption would result in an estimated annual revenue loss of \$3.8 million (1% property tax rate × \$375.7 million exemption value) to local governments.