INFORMATION SHEET

PROPERTY TAX SAVINGS: DISABLED VETERANS' EXEMPTION

The State Board of Equalization Taxpayers' Rights Advocate Office is committed to helping California taxpayers understand property tax laws, and be aware of exclusions and exemptions available to them.

Disabled Veterans' Exemption

Did you know disabled veterans in California, or their unmarried surviving spouses, can receive the Disabled Veterans' Exemption on the home they own and live in as their principal place of residence?

The Disabled Veterans' Exemption, which allows a $100,000 or $150,000 exemption, as adjusted annually for inflation, on a principal place of residence, is authorized by Article XIII, section 4, subdivision (a) of the California Constitution and implemented by Revenue and Taxation Code (R&TC) section 205.5. The $100,000 exemption is referred to as the "basic exemption," and the $150,000 exemption is referred to as the "low-income exemption."

The low-income exemption is available for veterans whose household income does not exceed a certain income limit, as adjusted annually for inflation. For 2023, the basic exemption amount is $161,083, and the low-income exemption amount is $241,627 as long as the prior year's household income does not exceed $72,335. The amount of the exemption reduces the assessed value of the principal place of residence, which results in less property taxes due.

To qualify for the Disabled Veterans' Exemption, the following conditions must be met:

- You must be a veteran who, due to a service-connected injury or disease incurred in military service, is blind in both eyes, or has lost the use of two or more limbs, or is totally disabled. Totally disabled for purposes of the exemption means the United States Department of Veterans Affairs (USDVA) or the military service from which the veteran was discharged has rated the veteran's disability at 100 percent or the veteran's disability compensation at the 100 percent rate by reason of being unable to secure or follow a substantially gainful occupation (individual unemployability); or
- You must be an unmarried surviving spouse of a deceased veteran who qualified for the exemption in their lifetime or died from a service-connected injury or disease or would have qualified for the exemption had they been alive on January 1, 1977.
- The veteran must not have been discharged from military service under "dishonorable" conditions.
- You must own and occupy the dwelling as your principal residence as of January 1 of each year to qualify for the exemption for that year. *Note*: If you are confined to a hospital or other care facility, and the property would be your principal place of residence were it not for your confinement, the home continues to be eligible for exemption as long as it isn't rented out.

If you purchase or build a home after January 1, you can receive the exemption as of the purchase date or its completion date if you occupy the home within 90 days after purchase or completion of construction. If occupancy occurs after 90 days, the exemption will apply as of the date residency is established.

A principal place of residence is a *dwelling*, which is defined as a building, structure, or other shelter constituting a place of abode, whether real property or personal property, and any land on which it may be situated. Eligible properties include but are not limited to a single-family residence, multi-unit residence (such as a duplex), condominium, or unit in an apartment complex or a cooperative housing project.

Other examples of a dwelling are a houseboat, manufactured home (mobilehome), improvements owned and occupied as a dwelling that is situated on government-owned land that is a taxable possessory interest (such as a cabin located in a national forest), and land you own on which you live in a state-licensed trailer or manufactured home. *Note*: A state-licensed trailer or manufactured home is not subject to property taxation; rather, it pays the vehicle license fee, an in-lieu fee, to the Department of Housing and Community Development.

Type of Property Ownership and Partial Interests

A dwelling eligible for the Disabled Veterans' Exemption may be owned or co-owned by the veteran or the veteran's unmarried surviving spouse, includes property that is owned by any of the following:

- The veteran with the veteran's spouse who own their home as joint tenants, tenants in common, or as community property.
- The veteran or the veteran's spouse who own a home as separate property.
- The veteran and/or the unmarried surviving spouse with one or more other persons who is not their spouse. However, the amount of exemption cannot exceed the percentage of assessed value based on the interest owned by the veteran, or the veteran's spouse, or both the veteran and the veteran's spouse.

  For example, if a disabled veteran and his daughter each own 50 percent interest in a home in which the veteran occupies, and the home's assessed value before application of the basic Disabled Veterans' Exemption is $300,000, the eligible exemption is only up to $150,000. However, if the home's assessment is $400,000, the veteran's 50 percent ownership interest is $200,000; therefore, the full 2023 basic exemption amount of $161,083 can be granted.

  If two or more qualified disabled veterans co-own a home in which they both reside, each is entitled to the exemption to the extent of their interest. For example, if two disabled veterans own a home with an assessed value of $400,000, each disabled veteran's interest is $200,000, and both qualify for the basic exemption, both veterans are allowed the full amount of the $161,083 exemption, totaling $322,166 for the two exemptions.

- Property can be owned by a corporation if the dwelling constitutes the principal place of residence of a veteran or a veteran's unmarried surviving spouse when the veteran, the veteran's spouse, or the veteran's unmarried surviving spouse is a shareholder of the corporation and the rights of shareholding entitle one to the possession of the property.

Basic Exemption and Low-Income Exemption

The Disabled Veterans' Exemption provides for two levels of exemption amounts—a basic exemption (also referred to as the $100,000 exemption) and a low-income exemption (also referred to as the $150,000 exemption) for claimants whose household income does not exceed a certain threshold. The exemption amounts and the household income limit are adjusted annually for inflation. The inflationary increase for both exemption amounts, and the low-income income limits are typically released annually in the Spring in a Letter to Assessors (LTA) titled *Disabled Veterans' Exemption Increases for 20__*. The information is issued by the State Board of Equalization (BOE) and applies to the next year.

- For 2023, the basic exemption is $161,083, and the low-income exemption is $241,627 if the household income does not exceed $72,335 during the calendar year 2022.
- For 2024, the basic exemption is $169,769, and the low-income exemption is $254,656 if the household income does not exceed $76,235 during the calendar year 2023.

There is no income limit to qualify for the basic exemption. To qualify for the low-income exemption, a claimant's household income during the preceding calendar year ending December 31 may not exceed the current year's income limit. For property tax purposes, income received from veterans' benefits is included in determining a household's income even though they are not considered taxable income for federal or state income tax purposes.

A person may find that they qualify for the low income exemption one year and only the basic exemption the next year. In order to qualify for the low-income exemption, a claim form must be filed with the County Assessor indicating the total annual income for all persons in the household for the prior calendar year; otherwise, the County Assessor will only allow the basic exemption.

The exemption amount available on a qualifying property is the lower of its assessed value or the annual exemption amount after consideration for any partial interest. Therefore, the exemption may provide for a full or partial exemption on the property's assessed value.

Potential for Tax Savings

Property taxes are based on the assessed value of your property. The Disabled Veterans' Exemption reduces your property taxes by deducting the amount of the applicable exemption from your property's assessed value before applying the tax rate. Generally, given the one percent statewide property tax rate, the tax savings would equate to one percent of the exemption amount. Depending upon the amount of local voter-approved bonds in your area, if any, the overall tax rate could be higher than one percent, which would increase your tax savings. For example, if your overall tax rate is 1.17% for the 2023-24 fiscal year assessment, the tax savings would be $1,885 ($161,083 x .0117) for the basic exemption or $2,827 ($241,627 x .0117) for the low-income exemption.

If the assessed value of a property is $400,000, using a 1.17% tax rate, your property tax due **without the basic Disabled Veterans' Exemption** would be:

Assessed Value: $400,000	x	Tax Rate: 1.17%	=	Property Tax Due: $4,680

If you qualify for the basic Disabled Veterans' Exemption, and you or you and your spouse have 100 percent ownership in the property, up to $161,083 will be deducted from your assessed value. Therefore, your taxable value will be reduced to $238,917, and your property tax due **with the basic Disabled Veterans' Exemption** would be:

Assessed Value: $400,000	-	Basic Exemption: $161,083	=	Taxable Value: $238,917
	x	Tax Rate: 1.17%	=	Property Tax Due: $2,795

If you are qualified for the low-income Disabled Veterans' Exemption, up to $241,627 will be deducted from your assessed value. Therefore, your taxable value will be reduced to $158,373, and your property tax due **with the low-income Disabled Veterans' Exemption** is:

Assessed Value: $400,000	-	Low-Income Exemption: $241,627	=	Taxable Value: $158,373
	x	Tax Rate: 1.17%	=	Property Tax Due: $1,852

How to Apply for the Disabled Veterans' Exemption

Complete form BOE-261-G, *Claim for Disabled Veterans' Property Tax Exemption*. Obtain the claim form from the County Assessor's office where the property is located. Submit the completed form and the required documents to the same office. Required documents include a USDVA letter indicating a 100 percent disability rating or compensation at the 100 percent rate due to unemployability and proof that service discharge was under a condition other than dishonorable, such as the DD-214, *Report of Separation*. Additionally, an unmarried surviving spouse must provide proof of eligibility, such as a copy of a marriage certificate to the veteran, the veteran's death certificate, a report of casualty, or a letter stating the cause of the spouse's death was service connected.

Once granted, the exemption remains effective until a change in eligibility occurs, such as selling or moving out of the home. Annual filing is not required for the basic exemption. However, if you are seeking a ***low-income exemption***, you must file a BOE-261-G claim form each year.

When to File Your Claim

Initial Filing. In order to receive 100 percent of the eligible exemption for the first year that you qualify for the exemption, your claim form must be filed between the date of the eligibility event and on or before the following January 1, or 90 days after the date of the eligibility event, whichever is later. For claims filed any time afterward, 85 percent of the exemption you are eligible for is available.

If you receive a supplemental assessment notice for the property you purchased before the last day to timely file on the initial filing, you must file a claim on or before the 30th day following the date on the Notice of Supplemental Assessment in order to receive 100 percent of the eligible exemption on a supplemental assessment. Claims filed after 30 days of the Notice will be allowed 90 percent or 85 percent of the exemption.

Annual Low-Income Filing. A BOE-261-G claim form must be filed between January 1 and February 15 ***each year*** to receive 100 percent of the eligible low-income Disabled Veterans' Exemption. The claim you file certifies that you met the income limit for the upcoming fiscal year, July 1—June 30. A claim filed late (between

February 16 and December 10) will be granted 100 percent of the full basic exemption amount ***plus*** 90 percent of the portion of the low-income exemption that exceeds the amount of the basic exemption. A claim filed after December 10, but within the eight-year statute of limitations allowed for the Disabled Veterans' Exemption, will be granted 100 percent of the full basic exemption amount ***plus*** 85 percent of the portion of low-income exemption that exceeds the amount of the basic exemption.

Helpful Hints

- If you are claiming the intergenerational transfer exclusion under R&TC section 62.3 (Proposition 19) for transfers of a primary residence between parents and children or grandparents and grandchildren, you must file for the Disabled Veterans' Exemption ***within one year*** of acquiring the property to qualify for the exclusion as of the date of transfer. *Note*: In the case of inheritance, the date of death is considered the date of transfer for property tax purposes, even if the property was held in a trust and remained in the trust after the death. For further information on the intergenerational transfer exclusion, see Publication 800-1, Information Sheet, *Transfers Between Parents and Children*, and Publication 800-2, Information Sheet, *Transfers Between Grandparents and Grandchildren*, which can be accessed at *www.boe.ca.gov/tra/infosheets.htm*.
- You can file a claim up to 8 years after meeting the qualifications for the exemption and receive a retroactive exemption and refunds of property tax.
- For the first year, you qualify for the exemption, such as when you buy your home or when you receive your 100 percent disability rating. The amount of exemption is prorated from the date of eligibility to the end of the fiscal year in which eligibility occurs.
- It is more advantageous to have the Disabled Veterans' Exemption than the Homeowners' Exemption since the exemption amount is higher. Therefore, if you qualify, you should choose the Disabled Veterans' Exemption so that you pay less property taxes. (For information on the Homeowners' Exemption, see Publication 800-6, Information Sheet, *Property Tax Homeowners' Exemption*, which can be accessed at *www.boe.ca.gov/tra/infosheets.htm*.)
- A married couple who has more than one residence may only claim one Disabled Veterans' Exemption on the property that is their primary residence.
- The County Assessor's office annually mails out a BOE-261-GNT, *Disabled Veterans' Exemption Change of Eligibility Report Annual*, by the January 1 lien date to every claimant who has been receiving the exemption. If there has been no change, you do not need to return the form.
- The exemption does not apply to property that is rented, vacant, or under construction on the lien date, nor does the exemption apply to a vacation or secondary home of the owner. You must notify the County Assessor's office in writing if you are no longer eligible for the Disabled Veterans' Exemption, such as when you no longer live in the home as your primary residence. Also, a claimant is no longer eligible if their disability rating changes to less than 100 percent or upon the remarriage of an unmarried surviving spouse. Returning a completed BOE-261-GNT, which the County Assessor sends to all previous year's claimants, is considered notice or you can write a letter.

Where to Find Additional Information

Visit the State Board of Equalization's (BOE) website at *www.boe.ca.gov* for property tax information.

For information on the Disabled Veterans' Exemption, visit *www.boe.ca.gov/proptaxes/dv_exemption.htm*.

Visit the County Assessor's website where the property is located. The BOE's website has contact information for each County Assessor in California, and is available at *www.boe.ca.gov/proptaxes/countycontacts.htm*.