



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

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September 18, 2000

JAMES E. SPEED
Executive Director

Honorable Gregory A. Smith
San Diego County Assessor/
Recorder/County Clerk
1600 Pacific Highway, Room 103
San Diego, CA 92101-2480

Attn: Mr. Brian Salmon
Exemptions Manager

Re: Disabled Veterans' Exemptions - Pro-Rated Supplements

Dear Mr. Salmon:

I am responding to your letter of May 10, 2000, to Larry Augusta regarding the application of the Disabled Veterans' Exemption to a pro-rated supplemental bill from a prior purchase of real property. You wanted to know if the second buyer, who qualifies for the \$100,000 Disabled Veterans' Exemption, is eligible for the exemption for his portion of the prorated supplement. As explained below, we have concluded that the second buyer is eligible for the exemption for his portion of the tax bill, assuming that all the requirements for exemption are met.

Facts

Buyer A acquired a home on July 5, 1999, generating a \$40,000 supplemental bill based on the difference between his purchase price and the 1999-2000 tax roll. Before the supplemental tax bill is mailed, the property is sold to Buyer B on September 2, 1999. The \$40,000 supplemental bill is pro-rated for the two owners, with Buyer A receiving an unsecured bill for his period of ownership and Buyer B receiving a bill for his period of ownership, secured by a lien imposed on the property. Buyer B qualifies for the \$100,000 Disabled Veterans' Exemption.

Law & Analysis

AB 2345/Stats. 1984, Ch. 946, in effect September 10, 1984, amended numerous supplemental assessment sections, including Revenue and Taxation Code section 75.54, Effect of Lien, which dealt with multiple changes in ownership. Prior to that amendment, section 75.54 provided that an initial change in ownership followed by a subsequent change in ownership prior to supplemental assessment billing caused the entire supplemental assessment for the initial change in ownership to become an unsecured assessment. As a result of the amendment, that portion of the supplemental assessment attributable to the first buyer from the date of the initial change in ownership to the date of the change in ownership to the second buyer became unsecured and was entered on the unsecured roll. The remaining portion of the supplemental assessment, attributable to the second buyer, became a lien against the real property from the date of the second change in ownership.

Section 75.21 deals with the application of exemptions to supplemental assessments and provides, "Exemptions shall be applied to the amount of **the supplemental assessment**, provided...the assessee is eligible for and makes a timely claim for the exemption."¹ The section does not distinguish between the prorated supplemental assessment (and lien imposed under section 75.54) and the subsequent supplemental assessment billed to Buyer B under section 75.11, subdivision (b), using the new base year value. The question is whether the provisions in section 75.21 for application of exemptions to supplemental assessments apply to both the prorated supplemental assessment and the new supplemental assessment of 75.11. We have previously concluded that it does.

In the June 27, 1985, Letter to Assessors No. 85/75, Questions and Answers Regarding Supplemental Assessments, we took the position that the two portions of the prorated supplemental assessment were separate and distinct and were individually eligible for exemption depending on the qualifications of the respective assessees. The answer to question 6 states that an exemption could be allowed only to that portion of a prorated supplemental assessment for which a claimant qualified for the exemption. Therefore, if a second buyer was eligible for the Homeowners' Exemption, for example, and her portion of the supplemental assessment prorated under 75.54 was only \$5000, she would only be able to take advantage of \$5000 of the \$7000 Homeowners' Exemption.

The fact that the pro-rated supplemental bill issued pursuant to section 75.54 was not generated for Buyer B's value action date does not effect its qualification as a "supplemental assessment" under section 75.21. Under the provision in section 75.11, subdivision (c), for computation of a "net supplemental assessment" in cases of multiple changes in ownership or completions of new construction during the same assessment year, supplemental assessments generated from different base year values can be combined into a single supplemental assessment, to which the exemption provisions of section 75.21 can be applied.

The views expressed in this letter are only advisory in nature; they represent the analysis of the legal staff of the Board based on the present law and the facts set forth herein, and are not

¹ We note that section 75.21 was substantially amended by SB 2237/Stats. 1998, Ch. 591. However, subdivision (a) thereof remained substantially the same.

binding on any person or public entity. If you have any additional questions or comments, please call me at (916) 327-2455.

Sincerely,

/s/ Susan Scott

Susan Scott
Tax Counsel

SAS:lg

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cc: Mr. Dick Johnson, MIC:63
Mr. David Gau, MIC:64
Ms. Lois Adams, MIC:64
Ms. Jennifer Willis, MIC:70