STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION
PROPERTY AND SPECIAL TAXES DEPARTMENT
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TO COUNTY ASSESSORS:

EFFECTIVE ADMINISTRATIVE PRACTICES –
DISABLED VETERANS' EXEMPTION

The Disabled Veterans' Exemption is one of the most complex property tax exemptions to administer. A variety of documents, filing and qualification dates, exemption limits, assessed values, and ownership interests must be reviewed when processing the exemption. Additionally, exemption amounts and income ceilings for the low-income provision of the exemption change annually. To ensure compliance with the California Constitution and the applicable statutes of the Disabled Veterans' Exemption and to provide equal and consistent treatment to all claimants, assessors' staff must have a working knowledge of the exemption.

Assessment practices surveys completed during the past few years have discovered an increasing number of issues for the Disabled Veterans' Exemption topic, resulting in numerous recommendations in the final reports. Although there are a number of resources currently available[1] to assist assessors' staff in the proper administration of this exemption, we have compiled the more frequent recommendations and offer guidance on the processing procedures related to these recommendations. This letter addresses the following issues:

- Proration of the Exemption
- Timely Filing of Initial Claim
- Late Filing of Initial Claim
- Late Filing of Low-Income Exemption Annual Claim
- Honorable Discharge
- Partial Interest Ownership
- USDVA Rating Letter
- Proof of Low Income

If you have any questions regarding the Disabled Veterans' Exemption, please contact the County-Assessed Properties Division at 1-916-274-3350.

Sincerely,

/s/ David J. Gau

David J. Gau
Deputy Director
Property and Special Taxes Department

DJG:mlw

[1] Resources include annotated letters or other legal opinions, Letters To Assessors, BOE website information, assessor in-house processing manual/guidelines, and information distributed at the classes presented by the California Assessors' Administrative Services Association Education Committee.

Proration of the Exemption

Prorate the exemption as of the date the property qualifies.
Terminate the exemption as of the date property no longer qualifies.

References: Revenue and Taxation Code[2] sections 205.5, 276.1(b), 276.2 (b), 276.3 and 279

Statutes provide for the Disabled Veterans' Exemption to be granted as of the date a property is eligible. The date a property becomes eligible for the exemption is based upon one of the following four event dates, whichever is later:

1. The effective date that a veteran receives a 100 percent disability rating or is awarded compensation at the 100 percent rate due to unemployability, as determined by the United States Department of Veteran Affairs (USDVA).

2. The date a qualified claimant purchases a property that constitutes a principal place of residence, provided occupancy is established within 90 days of purchase.

3. The date a qualified claimant establishes residency at a property already owned by the claimant (for example, moves into a residence that was previously used as a rental property or moves into a residence after 90 days of purchase).

4. The date a veteran died as a result of a service-connected injury or disease (for a surviving spouse claimant).

The Disabled Veterans' Exemption does not require qualification as of a lien date, as in the case of many other exemptions, whereby the exemption is then granted for the ensuing year. Such practice would deny the full amount of the exemption to which the claimant is entitled. If a property qualifies after a lien date, the assessor must apply the exemption by prorating the exemption from the date of qualification to the end of that fiscal year, which may require a roll correction. Similarly, the exemption cannot be granted for a period earlier than the effective date of the exemption. Granting an exemption for the entire fiscal year when a claimant is only eligible to receive a prorated amount would allow a benefit for a period of time for which the claimant does not qualify.

The exemption must be terminated as of the date the property is no longer used as a principal place of residence regardless of whether the claimant sells the property or retains ownership. Terminating the exemption requires an escape assessment from the date of disqualification to the end of that fiscal year. Allowing the exemption to continue after the date the property is no longer the claimant's principal place of residence would provide the property greater exemption than permitted by statutes. Since not all counties have elected to participate in the Disabled Veterans' and Homeowners' Exemption Match and Multiple Claims Listing,[3] it is possible for a claimant to receive double exemption if the first exemption is not terminated promptly upon becoming ineligible and a second property, located in another county, is granted exemption as of the qualification date.

[2] All statutory references are to the Revenue and Taxation Code unless specified otherwise.
[3] www.boe.ca.gov/proptaxes/homeexem.htm.

To prorate the exemption for only the days the property is qualified, the assessor must determine the ratio of the actual number of days the property is qualified in the fiscal year to the total number of days in the fiscal year. The ratio is then applied to either the maximum scheduled exemption amount or the assessed value of the property, whichever is lower.

Examples:[4]

Event and Facts	**Date of Event**	**Days Remaining in Fiscal Year**	**Proration Calculations**
Purchased principal place of residence Assessed value is greater than exemption	August 22, 2012 Claim filed September 1, 2012 (timely—on or before next following lien date)	313 days August 22, 2012-June 30, 2013	313/365 = .8575 x $100,000 = $85,750 eligible exemption for 2012-2013 fiscal year Exemption may be applied to a positive supplemental and/or by correcting the current roll
Veteran rated 100 percent disabled Assessed value is $90,000, which is lower than basic exemption	August 22, 2012 Claim filed September 1, 2012 (timely—on or before next following lien date)	313 days	313/365 = .8575 x $90,000 = $77,175 eligible exemption for 2012-2013 fiscal year Exemption applied by correcting the current roll

[4] For simplicity, in all examples the original base amounts are used with no inflation indexing—$100,000 is used for the basic exemption and $150,000 for the low-income exemption.

Timely Filing of Initial Claim

Grant the full eligible amount of exemption when claims are filed timely.

***References*:** Sections 276.1 and 276.2(a)

When property becomes eligible after the lien date, a timely initial claim is one that is filed the *later* of 90 days after the date on which the property became eligible or on or before the next following lien date.[5] However, the USDVA is frequently delayed in making their evaluation, and a veteran may not receive a disability rating letter until a year or more after the effective date of disability.[6] When this occurs, a timely claim is one that is filed the *later* of 90 days after the date of receipt of the disability rating letter or on or before the next following lien date. Consequently, a retroactive exemption, with no reduction in the exemption for prior years, is available as of the effective date of disability.

Examples:

Event and Facts	Date of Event	Timely Filing
Purchased principal place of residence	April 22, 2012 Effective date of disability is August 1, 2011	April 22, 2012 – January 1, 2013
Receipt of USDVA letter Property was purchased in June 1989	November 1, 2012 Effective date of disability and exemption is August 1, 2011	November 1, 2012 – January 30, 2013 Within 90 days after receipt of letter

[5] The February 15 deadline date provided in section 276 is not applicable for a timely initial claim.
[6] It can take the USDVA a number of years to make a final rating determination of disability, especially in the case where the veteran has appealed an earlier determination.

Late Filing of Initial Claim

Grant partial exemption when claims are not timely filed.

References**:** Section 276(a) and 276.2(a)

When an initial claim is not filed timely, as previously described, the assessor may only grant 85 percent of the eligible exemption for all *prior years*. For the *current year* in which the initial claim is filed—depending upon when the claim is filed—the following portion of the exemption is available:

- 100 percent – claim filed on or before February 15
- 90 percent – claim filed after February 15 but on or before December 10
- 85 percent – claim filed any time after December 10

Examples:

<table>
<tr><th>Event and</th><th></th><th></th><th></th></tr>
<tr><td>Purchased principal place of residence</td><td>April 22, 2012</td><td>May 28, 2014</td><td>85% for 2011-12 (prorated)
85% for 2012-13
85% for 2013-14
90% for 2014-15 (filed after Feb 15)</td></tr>
<tr><td rowspan="2">Receipt of USDVA letter</td><td>May 1, 2013</td><td>February 1, 2014</td><td rowspan="2">85% for 2012-13 (prorated)
85% for 2013-14
100% for 2014-15 (filed before Feb 15)</td></tr>
<tr><td colspan="2">Effective date of disability is August 1, 2012</td></tr>
<tr><td rowspan="2">Receipt of USDVA letter</td><td>May 1, 2013</td><td>December 21, 2014</td><td rowspan="2">85% for 2012-13 (prorated)
85% for 2013-14
85% for 2014-15 (filed after Dec 10)</td></tr>
<tr><td colspan="2">Effective date of disability is August 1, 2012</td></tr>
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Late Filing of Low-Income Exemption Annual Claim

For annual renewal of the low-income Disabled Veterans' Exemption, calculate the reduced exemption only on the amount over the basic exemption when the claim is filed late.

***Reference*:** Section 276(b)

The basic exemption only requires a one-time initial filing while the low-income exemption requires annual filing in order for claimants to attest that their household income for the prior year does not exceed the current income limitations. It is possible for claimants to qualify for the low-income exemption for some years but not for other years as income may fluctuate. When the low-income exemption is sought for any particular year, a claim must be filed on or before February 15 to be considered a timely filing. If a claim for the low-income exemption is not filed, the exemption should be reduced to the basic amount for the year; however, some assessors will contact the claimant to ensure that the property is still his/her principal place of resident or to remind the claimant to file the annual claim. This procedure will provide information as to whether the exemption should be removed, changed to the basic exemption, or will result in a late filing of the claim.

For late filing renewal of a low-income Disabled Veterans' Exemption, the available exemption is 90 or 85 percent of the amount under a timely filing. However, the late filing provisions do not apply to the entire amount of the low-income exemption but only on the amount that exceeds the basic exemption. Since renewal of the basic exemption does not require annual filing, it is not subject to any late filing provisions. Thus, a qualified low income claimant is also entitled to continually receive 100 percent of the basic exemption with only the additional amount over the basic exemption subject to any late filing provisions.

The following is the available exemption for a low income annual claim based on the filing date:

- On or before February 15 – 100 percent
- After February 15 but on or before December 10 – 90 percent of the amount that exceeds the basic exemption *plus* the basic exemption
- Any time after December 10 of the claim year – 85 percent of the amount that exceeds the basic exemption *plus* the basic exemption

Examples:

Low-Income Exemption Annual Claim Filed Late	Assessed Value	Exemption Available
May 15, 2014 Filed between February 16 – December 10	$200,000	$150,000 low-income exemption - $100,000 basic exemption = $50,000 x .90 = $45,000 $100,000 + $45,000 = **$145,000** exemption available
December 29, 2014 Filed after December 10	$130,000	$130,000 eligible exemption - $100,000 basic exemption = $30,000 x .85 = $25,500 $100,000 + $25,500 = **$125,500** exemption available

Honorable Discharge

Require documentation that the veteran has been honorably discharged.

***References*:** Section 205.5 (b)(1) and California Constitution, Article XIII, Section 3(o)(1)

The claimant must provide proof of honorable discharge by submitting some type of official document such as a DD-214 (military discharge papers) or an acknowledgement from the USDVA on its rating determination letter. The USDVA has indicated that a veteran typically would not be eligible to receive a 100 percent disability rating if discharge conditions were dishonorable; however, a veteran may be eligible to receive compensation if discharged under "general" or "other than honorable conditions" which do not meet the requirements of the Disabled Veterans' Exemption. Requiring verification of honorable discharge will ensure the exemption is granted only to qualified persons.

Partial Interest Ownership

Grant the full exemption to the extent of the interest owned by the qualified claimant.

***Reference*:** Section 205.5(d)

The assessor must consider the claimant's ownership interest in the property for which the exemption is being claimed. A claimant who has only a partial interest to the property is entitled to the full amount of the applicable exemption, up to the value of his or her proportional interest in the property. The exemption amount is not reduced to reflect the ownership interest in the property (that is, the $100,000 basic exemption is not reduced by 50 percent ($50,000) when there is a 50 percent ownership interest).

Examples:

Title to property:

- 1/2 interest to a disabled veteran claimant and 1/2 interest to a non-disabled person

  -or-

- 1/2 interest to disabled veteran and his spouse as joint tenants and 1/2 interest to a single non-disabled person

Assessed Value	Claimant's Ownership Interest	Eligible Basic Exemption	Eligible Low-Income Exemption
$90,000	$90,000 x 50% = $45,000	$45,000	$45,000
$260,000	$260,000 x 50% = $130,000	$100,000	$130,000
$400,000	$400,000 x 50% = $200,000	$100,000	$150,000

Title to Property:

- Disabled veteran, spouse, and unmarried son as joint tenants (1/3 interest each)

  -or-

- Disabled veteran as to 2/3 interest and non-disabled veteran owner as to 1/3 interest

Assessed Value	Claimant's Ownership Interest	Eligible Basic Exemption	Eligible Low-Income Exemption
$120,000	$120,000 x .667 = $80,000	$80,000	$80,000
$180,000	$180,000 x .667 = $120,000	$100,000	$120,000
$300,000	$300,000 x .667 = $200,000	$100,000	$150,000

USDVA Rating Letter

Request a copy of the USDVA rating letter.

In order to accurately determine whether an initial claim has been filed timely or late, it is recommended that the assessor obtain a copy of the veteran's disability rating letter to verify the original date of notification, particularly in the case where the USDVA has issued the notification letter in a year subsequent to the effective date of the disability.

Staff should be aware that a one-page summary letter submitted for the proof of disability only reflects the date the summary letter was issued; it is not the date the veteran was first notified of the disability. Under certain circumstances, such a summary letter may be sufficient when the date of the letter has no bearing on determining the timeliness of a claim (that is, when the effective date of the exemption is based upon the purchase date of the property or when the effective date of disability is in the same year as the date of the summary letter). However, if the timeliness of the filing hinges on the date of the notification letter, a copy of the original rating letter should be obtained. The assessor should not rely upon the effective date of disability and the date the rating letter was received solely on the information provided by the claimant on the claim form. These dates must be verified with supporting documents in order for the assessor to determine the timeliness of the filing and the correct proration of the exemption for the initial qualifying year.

Proof of Low Income

The household income ceiling for the low-income provision of the exemption changes annually; therefore, the assessor must receive certification from the claimant that the income criteria is met by filing an annual claim. If a claim is not filed, only the basic exemption is available. However, a partial low-income exemption may be subsequently granted if a claim is filed late.

In accordance with section 441(d), documentation to support income information provided to the assessor may be requested. The assessor has the authority to require a more detailed account of the claimant's income. An assessor may request low-income claimants to complete a household income worksheet, signed and certified as to its accuracy, that itemizes the income associated with each listed income item. Examples of other documentation to support the claimant's income may include but are not limited to:

- A copy of the first page of the claimant's tax return, plus the claimant's veterans' benefit statement (since veterans' benefits are not reportable as taxable income).
- An end-of-year payroll stub or W-2 statement of earnings for all adult household members.
- Social security benefit statements.

The assessor should use reasonable judgment as to the circumstances which may warrant more sensitive proofs of income. For instance, the assessor may want to validate income where a veteran claims the low-income exemption when the veteran is acquiring a high-valued property, or if the assessor's records indicate the claimant owns investment or rental property(ies).