STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION
PROPERTY TAX DEPARTMENT
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0064
1-916-274-3350 • FAX 1-916-285-0134
www.boe.ca.gov

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No. 2024/007

TO COUNTY ASSESSORS:

HOMEOWNERS' EXEMPTION

Effective October 11, 2023, Senate Bill 520 (Stats. 2023, ch. 781) amends Revenue and Taxation Code (RTC) section 218, which implements the homeowners' exemption, to extend the provisions for a temporary absence under specified conditions.

RTC section 218 allows for a homeowners' property tax exemption in the amount of $7,000 of the full value of a dwelling that the owner occupies as a principal place of residence. This exemption does not extend to property that is rented, vacant, under construction on the lien date, or that is a vacation or secondary home of the owner or owners. Prior to October 11, 2023, RTC section 218 specified that the homeowners' exemption could not be revoked for an owner's temporary vacancy under two circumstances:

- When the dwelling is damaged in a misfortune or calamity, the person's absence from the dwelling is temporary and the person intends to return to the dwelling when possible to do so. If the dwelling is destroyed, the exemption is not applicable until the structure has been replaced and occupied as a dwelling.
- When the dwelling was totally destroyed in a disaster for which the Governor proclaimed a state of emergency, that previously qualified for the exemption and that has not changed ownership, provided the person intends to reconstruct a dwelling on the property and occupy the dwelling as their principal place of residence when it is possible to do so.

Senate Bill 520 amends RTC section 218 to add a third circumstance under which a homeowners' exemption should not be revoked for an owner's temporary vacancy. RTC section 218(b)(4) provides:

- If a person receiving the exemption is not occupying the dwelling because they are confined to a hospital or other care facility, the person is deemed to occupy that dwelling as their principal place of residence, provided all of the following are met:
    - The owner would occupy the dwelling if they were not confined to the hospital or other care facility,
    - The person intends to return to the dwelling when possible to do so, and

- The dwelling is not rented or leased to a person that is not described in section 267(c)(4) of Title 26 of the United States Code.

Section 267(c)(4) of Title 26 of the United States Code states that the "family of an individual shall include only his brothers and sisters (whether by the whole or half blood), spouse, ancestors, and lineal descendants." *Ancestors* include a homeowner's parents, grandparents, etc. *Lineal descendants* include a homeowner's children, grandchildren, great grandchildren, etc. In other words, this provides an exception to the prohibition against renting the property and instead allows an immediate family member to rent the home without jeopardizing the owner's homeowners' exemption.

Relevant to these new provisions, Letter To Assessors (LTA) No. 82/50 opined that confinement to a "convalescent home or hospital" does not disqualify a person from receiving the exemption, if the claimant is expected to return to the dwelling and does not receive rent from any persons occupying the premises. Additionally, the LTA states that a hospitalization lasting longer than one year would raise considerable doubt that the owner is expected to return. Amended RTC section 218(b) is silent on the subject of an absence's duration, but instead makes it conditional on meeting the requirements of 218(b)(4).

The provisions of RTC section 218(b)(4) are also relevant to the intergenerational transfer exclusion contained in RTC section 63.2. For purposes of a transfer of a family home between parents and their children or, under limited circumstances, between grandparents and their grandchildren, a "family home" is a dwelling that is eligible for a homeowners' exemption or a disabled veterans' exemption as a result of the transferor's or transferee's ownership and occupation of the dwelling. Additionally, once the exclusion is granted for a family home, the exclusion continues only so long as the family home is eligible for the homeowners' or disabled veterans' exemption.

A copy of amended RTC section 218, shown in strikeout and italic format, is enclosed. If you have any questions regarding these provisions, please contact the County-Assessed Properties Division at 1-916-274-3350.

Sincerely,

/s/ David Yeung

David Yeung
Deputy Director
Property Tax Department

DY:jb
Enclosure

Section 218 of the Revenue and Taxation Code is amended to read:

218. (a) The homeowners' property tax exemption is in the amount of the assessed value of the dwelling specified in this section, as authorized by subdivision (k) of Section 3 of Article XIII of the California Constitution. That exemption shall be in the amount of seven thousand dollars ($7,000) of the full value of the dwelling.

(b) (1) The exemption does not extend to property that is rented, vacant, under construction on the lien date, or that is a vacation or secondary home of the owner or owners, nor does it apply to property on which an owner receives the ~~veteran's~~ *veterans'* exemption.

(2) Notwithstanding paragraph (1), if a person receiving the exemption is not occupying the dwelling on the lien date because the dwelling was damaged in a misfortune or calamity, the person shall be deemed to occupy that same dwelling as ~~his or her~~ *their* principal place of residence on the lien date, provided the person's absence from the dwelling is temporary and the person intends to return to the dwelling when possible to do so. Except as provided in paragraph (3), when a dwelling has been totally destroyed, and thus no dwelling exists on the lien date, the exemption provided by this section shall not be applicable until the structure has been replaced and is occupied as a dwelling.

(3) A dwelling that was totally destroyed in a disaster for which the Governor proclaimed a state of emergency, that qualified for the exemption provided by this section prior to the commencement date of the disaster and that has not changed ownership since the commencement date of the disaster, shall be deemed occupied by the person receiving the exemption on the lien date provided the person intends to reconstruct a dwelling on the property and occupy the dwelling as ~~his or her~~ *their* principal place of residence when it is possible to do so.

(4) Notwithstanding paragraph (1), if a person receiving the exemption is not occupying the dwelling because they are confined to a hospital or other care facility, the person shall be deemed to occupy that dwelling as their principal place of residence, provided that all of the following conditions are met:

(A) The person would occupy the dwelling if they were not confined to the hospital or other care facility.

(B) The person intends to return to the dwelling when possible to do so.

(C) The dwelling is not rented or leased to a person that is not described in Section 267(c)(4) of Title 26 of the United States Code.

(c) For purposes of this section, all of the following apply:

(1) "Owner" includes a person purchasing the dwelling under a contract of sale or who holds shares or membership in a cooperative housing corporation, which holding is a requisite to the exclusive right of occupancy of a dwelling.

(2) (A) "Dwelling" means 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. A two-dwelling unit shall be considered as two separate single-family dwellings.

(B) "Dwelling" includes the following:

(i) A single-family dwelling occupied by an owner thereof as ~~his or her~~ *their* principal place of residence on the lien date.

(ii) A multiple-dwelling unit occupied by an owner thereof on the lien date as ~~his or her~~ *their* principal place of residence.

(iii) A condominium occupied by an owner thereof as ~~his or her~~ *their* principal place of residence on the lien date.

(iv) Premises occupied by the owner of shares or a membership interest in a cooperative housing corporation, as defined in subdivision (i) of Section 61, as ~~his or her~~ *their* principal place of residence on the lien date. Each exemption allowed pursuant to this subdivision shall be deducted from the total assessed valuation of the cooperative housing corporation. The exemption shall be taken into account in apportioning property taxes among owners of ~~share~~ *shares* or membership interests in the cooperative housing corporations so as to benefit those owners who qualify for the exemption.

(d) The exemption provided for in subdivision (k) of Section 3 of Article XIII of the California Constitution shall first be applied to the building, structure, or other shelter and the excess, if any, shall be applied to any land on which it may be located.