AMENDED IN ASSEMBLY AUGUST 4, 2016

AMENDED IN ASSEMBLY JUNE 22, 2016

AMENDED IN ASSEMBLY SEPTEMBER 11, 2015

AMENDED IN SENATE APRIL 6, 2015

SENATE BILL No. 690

Introduced by Senator Stone

February 27, 2015

An act to amend Sections 51, 205.5, and 5813 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 690, as amended, Stone. Property tax: senior and disabled veterans.

(1) The California Constitution generally limits ad valorem taxes on real property to 1% of the full cash value, as defined, of that property, and provides that the full cash value base may be adjusted each year by the inflationary rate not to exceed 2% for any given year.

Existing property tax law implementing this constitutional authority provides that the taxable value of real property is the lesser of its base year value compounded annually by an inflation factor not to exceed 2%, as provided, or its full cash value. Existing property tax law also provides that the taxable value of a manufactured home is the lesser of its base year value compounded annually by an inflation factor not to exceed 2% or its full cash value.

This bill, for any assessment year commencing on or after January 1, 2017, would provide that the inflation factor shall not apply to the principal place of residence, including a manufactured home, of a qualified veteran, as defined, who is 65 years of age or older on the lien date, was honorably discharged from military service, and meets specified requirements.

By changing the manner in which local tax officials calculate the taxable value of real property owned by senior veterans, this bill would impose a state-mandated local program.

(2) Existing property tax law provides, pursuant to the authorization of the California Constitution, a disabled veteran's property tax exemption for the principal place of residence of a veteran or a veteran's spouse, including an unmarried surviving spouse, if the veteran, because of injury incurred in military service, is blind in both eyes, has lost the use of 2 or more limbs, or is totally disabled, as those terms are defined, or if the veteran has, as a result of a service-connected injury or disease, died while on active duty in military service. Existing law exempts that part of the full value of the residence that does not exceed $100,000, or $150,000, if the veteran's or spouse's household income does not exceed $40,000, adjusted for inflation, as specified.

This bill, for property tax lien dates on an after January 1, 2017, would instead exempt the full value of the principal place of residence of a veteran or veteran's spouse if the veteran's or spouse's household income does not exceed $40,000, adjusted for inflation. The bill would also make technical and conforming changes to the disabled veteran's property tax exemption.

By changing the manner in which local tax officials administer the disabled veteran's property tax exemption, this bill would impose a state-mandated local program.

(3) Section 2229 of the Revenue and Taxation Code requires the Legislature to reimburse local agencies annually for certain property tax revenues lost as a result of any exemption or classification of property for purposes of ad valorem property taxation.

This bill would provide that, notwithstanding Section 2229 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse local agencies for property tax revenues lost by them pursuant to the bill.

(4) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

(5) This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

SECTION 1. Section 51 of the Revenue and Taxation Code is amended to read:

51. (a) For purposes of subdivision (b) of Section 2 of Article XIII A of the California Constitution, for each lien date after the lien date in which the base year value is determined pursuant to Section 110.1, the taxable value of real property shall, except as otherwise provided in subdivision (b) or (c), be the lesser of:

(1) Its base year value, compounded annually since the base year by an inflation factor, which shall be determined as follows:

(A) For any assessment year commencing prior to January 1, 1985, the inflation factor shall be the percentage change in the cost of living, as defined in Section 2212.

(B) For any assessment year commencing after January 1, 1985, and prior to January 1, 1998, the inflation factor shall be the percentage change, rounded to the nearest one-thousandth of 1 percent, from December of the prior fiscal year to December of the current fiscal year in the California Consumer Price Index for all items, as determined by the California Department of Industrial Relations.

(C) For any assessment year commencing on or after January 1, 1998, the inflation factor shall be the percentage change, rounded to the nearest one-thousandth of 1 percent, from October of the prior fiscal year to October of the current fiscal year in the California Consumer Price Index for all items, as determined by the California Department of Industrial Relations.

(D) The percentage increase for an assessment year determined pursuant to subparagraph (A), (B), or (C) shall not exceed 2 percent of the prior year's value.

(E) (i) Notwithstanding any other law, for any assessment year commencing on or after January 1, 2017, the percentage increase for any assessment year determined pursuant to subparagraph (A), (B), or (C) shall not apply to the principal place of residence, including so much of the land surrounding it as is reasonably necessary for use of the dwelling as a home, of a qualified veteran who is 65 years of age or older on the lien date and was honorably discharged from military service.

(ii) For the purpose of this subparagraph, "qualified veteran" means a person who meets the following criteria:

(I) He or she meets the criteria specified in subdivision (o) of Section 3 of Article XIII of the California Constitution, except for the limitation on the value of property owned by the veteran or the veteran's spouse.

(II) If the qualified veteran is single, his or her annual *household* income, as defined in Section 20504, is ~~less than~~ fifty thousand dollars ~~($50,000).~~ *($50,000) or less.*

(III) If the qualified veteran is married, his or her *annual* household ~~combined annual~~ income, as defined in Section 20504, is ~~less than~~ one hundred thousand dollars ~~($100,000).~~ *($100,000) or less.*

(iii) When claiming the benefit provided by this subparagraph, the claimant shall provide all information required by, and answer all questions contained in, an affidavit furnished by the assessor to determine that the claimant is a qualified veteran. The assessor may require additional proof of the information or answers provided in the affidavit before allowing the benefit provided by this subparagraph.

(2) Its full cash value, as defined in Section 110, as of the lien date, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a decline in value.

(b) If the real property was damaged or destroyed by disaster, misfortune, or calamity and the board of supervisors of the county in which the real property is located has not adopted an ordinance pursuant to Section 170, or any portion of the real property has been removed by voluntary action by the taxpayer, the taxable value of the property shall be the sum of the following:

(1) The lesser of its base year value of land determined under paragraph (1) of subdivision (a) or full cash value of land determined pursuant to paragraph (2) of subdivision (a).

(2) The lesser of its base year value of improvements determined pursuant to paragraph (1) of subdivision (a) or the full cash value of improvements determined pursuant to paragraph (2) of subdivision (a).

In applying this subdivision, the base year value of the subject real property does not include that portion of the previous base year value of that property that was attributable to any portion of the property that has been destroyed or removed. The sum determined under this subdivision shall then become the base year value of the real property until that property is restored, repaired, or reconstructed or other provisions of law require establishment of a new base year value.

(c) If the real property was damaged or destroyed by disaster, misfortune or calamity and the board of supervisors in the county in which the real property is located has adopted an ordinance pursuant to Section 170, the taxable value of the real property shall be its assessed value as computed pursuant to Section 170.

(d) For purposes of this section, "real property" means that appraisal unit that persons in the marketplace commonly buy and sell as a unit, or that is normally valued separately.

(e) Nothing in this section shall be construed to require the assessor to make an annual reappraisal of all assessable property. However, for each lien date after the first lien date for which the taxable value of property is reduced pursuant to paragraph (2) of subdivision (a), the value of that property shall be annually reappraised at its full cash value as defined in Section 110 until that value exceeds the value determined pursuant to paragraph (1) of subdivision (a). In no event shall the assessor condition the implementation of the preceding sentence in any year upon the filing of an assessment appeal.

SEC. 2. Section 205.5 of the Revenue and Taxation Code is amended to read:

205.5. (a) Property that constitutes the principal place of residence of a veteran, that is owned by the veteran, the veteran's spouse, or the veteran and the veteran's spouse jointly, is exempted from taxation on that part of the full value of the residence that does not exceed one hundred thousand dollars ($100,000), as adjusted for the relevant assessment year as provided in subdivision (h), if the veteran is blind in both eyes, has lost the use of two or more limbs, or if the veteran is totally disabled as a result of injury or disease incurred in military service. The one-hundred-thousand-dollar ($100,000) exemption shall be the full value of the property in the case of an eligible veteran whose household income does not exceed the amount of forty thousand dollars ($40,000), as adjusted for the relevant assessment year as provided in subdivision (g).

(b) (1) For purposes of this section, "veteran" means either of the following:

(A) A veteran as specified in subdivision (o) of Section 3 of Article XIII of the California Constitution, except for the limitation on the value of property owned by the veteran or the veteran's spouse.

(B) A person who would qualify as a veteran pursuant to ~~paragraph (1)~~ *subparagraph (A)* except that he or she has, as a result of a service-connected injury or disease, as determined by the United States Department of Veterans Affairs, died while on active duty in military service.

(2) For purposes of this section, property is deemed to be the principal place of residence of a veteran, disabled as described in subdivision (a), who is confined to a hospital or other care facility, if that property would be that veteran's principal place of residence were it not for his or her confinement to a hospital or other care facility, provided that the residence is not rented or leased to a third party. For the purposes of this paragraph, a family member that resides at the residence is not a third party.

(c) (1) Property that is owned by, and that constitutes the principal place of residence of, the unmarried surviving spouse of a deceased veteran is exempt from taxation on that part of the full value of the residence that does not exceed one hundred thousand dollars ($100,000), as adjusted for the relevant assessment year as provided in subdivision (h), in the case of a veteran who was blind in both eyes, had lost the use of two or more limbs, or was totally disabled provided that either of the following conditions is met:

(A) The deceased veteran during his or her lifetime qualified for the exemption pursuant to subdivision (a), or would have qualified for the exemption under the laws effective on January 1, 1977, except that the veteran died prior to January 1, 1977.

(B) The veteran died from a disease that was service-connected, as determined by the United States Department of Veterans Affairs.

The one-hundred-thousand-dollar ($100,000) exemption shall be the full value of the property in the case of an eligible unmarried surviving spouse whose household income does not exceed the amount of forty thousand dollars ($40,000), as adjusted for the relevant assessment year as provided in subdivision (g).

(2) Property that is owned by, and that constitutes the principal place of residence of, the unmarried surviving spouse of a veteran described in subparagraph (B) of paragraph (1) of subdivision (b) is exempt from taxation on that part of the full value of the residence that does not exceed one hundred thousand dollars ($100,000), as adjusted for the relevant assessment year as provided in subdivision (h). The one-hundred-thousand-dollar ($100,000) exemption shall be the full value of the property in the case of an eligible unmarried surviving spouse whose household income does not exceed the amount of forty thousand dollars ($40,000), as adjusted for the relevant assessment year as provided in subdivision (g).

(3) Property is deemed to be the principal place of residence of the unmarried surviving spouse of a deceased veteran, who is confined to a hospital or other care facility, if that property would be the unmarried surviving spouse's principal place of residence were it not for his or her confinement to a hospital or other care facility, provided that the residence is not rented or leased to a third party. For purposes of this paragraph, a family member who resides at the residence is not a third party.

(d) As used in this section, "property that is owned by a veteran" or "property that is owned by the veteran's unmarried surviving spouse" includes all of the following:

(1) Property owned by the veteran with the veteran's spouse as a joint tenancy, tenancy in common, or as community property.

(2) Property owned by the veteran or the veteran's spouse as separate property.

(3) Property owned with one or more other persons to the extent of the interest owned by the veteran, the veteran's spouse, or both the veteran and the veteran's spouse.

(4) Property owned by the veteran's unmarried surviving spouse with one or more other persons to the extent of the interest owned by the veteran's unmarried surviving spouse.

(5) That portion of the property of a corporation that 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 property, legal title to which is owned by the corporation. The exemption provided by this paragraph shall be

shown on the local roll and shall reduce the full value of the corporate property. Notwithstanding any law or articles of incorporation or bylaws of a corporation described in this paragraph, any reduction of property taxes paid by the corporation shall reflect an equal reduction in any charges by the corporation to the person who, by reason of qualifying for the exemption, made possible the reduction for the corporation.

(e) For purposes of this section, the following definitions shall apply:

(1) "Being blind in both eyes" means having a visual acuity of 5/200 or less, or concentric contraction of the visual field to 5 degrees or less.

(2) "Lost the use of two or more limbs" means that the limb has been amputated or its use has been lost by reason of ankylosis, progressive muscular dystrophies, or paralysis.

(3) "Totally disabled" means that the United States Department of Veterans Affairs or the military service from which the veteran was discharged has rated the disability at 100 percent or has rated the disability compensation at 100 percent by reason of being unable to secure or follow a substantially gainful occupation.

(f) An exemption granted to a claimant pursuant to this section shall be in lieu of the veteran's exemption provided by subdivisions (o), (p), (q), and (r) of Section 3 of Article XIII of the California Constitution and any other real property tax exemption to which the claimant may be entitled. No other real property tax exemption may be granted to any other person with respect to the same residence for which an exemption has been granted pursuant to this section; provided, that if two or more veterans qualified pursuant to this section coown a property in which they reside, each is entitled to the exemption to the extent of his or her interest.

(g) Commencing on January 1, 2002, and for each assessment year thereafter, the household income limit shall be compounded annually by an inflation factor that is the annual percentage change, measured from February to February of the two previous assessment years, rounded to the nearest one-thousandth of 1 percent, in the California Consumer Price Index for all items, as determined by the California Department of Industrial Relations.

(h) Commencing on January 1, 2006, and for each assessment year thereafter, the exemption amounts set forth in subdivisions (a) and (c) shall be compounded annually by an inflation factor that is the annual percentage change, measured from February to February of the two previous assessment years, rounded to the nearest one-thousandth of 1 percent, in the California Consumer Price Index for all items, as determined by the California Department of Industrial Relations.

(i) The amendments made to this section by the act adding this subdivision shall apply for property tax lien dates on and after January 1, 2017.

SEC. 3. Section 5813 of the Revenue and Taxation Code is amended to read:

5813. (a) For each lien date after the lien date for which the base year value is determined, the taxable value of a manufactured home shall be the lesser of:

(1) Its base year value, compounded annually since the base year by an inflation factor, which shall be the percentage change in the cost of living, as defined in Section 51, provided, that any percentage increase shall not exceed 2 percent of the prior year's value.

(2) Its full cash value, as defined in Section 5803, as of the lien date, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, or other factors causing a decline in value.

(3) If the manufactured home is damaged or destroyed by disaster, misfortune, or calamity, its value determined pursuant to paragraph (2) shall be its base year value until the manufactured home is restored, repaired or reconstructed or other provisions of law require establishment of a new base year value.

(b) (1) Notwithstanding any other law, for any assessment year commencing on or after January 1, 2017, the percentage increase for an assessment year determined pursuant to paragraph (1) of subdivision (a) shall not apply to the principal place of residence of a qualified veteran who owns a manufactured home as his or her principal place of residence and who is 65 years of age or older on the lien date and was honorably discharged from military service.

(2) For the purpose of this subdivision, "qualified veteran" means a person who meets the following criteria:

(A) He or she meets the criteria specified in subdivision (o) of Section 3 of Article XIII of the California Constitution, except for the limitation on the value of property owned by the veteran or the veteran's spouse.

(B) If the qualified veteran is single, his or her annual household income, as defined in Section 20504, is fifty thousand dollars ($50,000) or less.

(C) If the qualified veteran is married, his or her ~~combined~~ annual household income, as defined in Section 20504, is one hundred thousand dollars ($100,000) or less.

(3) When claiming the benefit provided by this subdivision, the claimant shall provide all information required by, and answer all questions contained in, an affidavit furnished by the assessor to determine that the claimant is a qualified veteran. The assessor may require additional proof of the information or answers provided in the affidavit before allowing the benefit provided by this subdivision.

SEC. 4. Notwithstanding Section 2229 of the Revenue and Taxation Code, no appropriation is made by this act and the state shall not reimburse any local agency for any property tax revenues lost by it pursuant to this act.

SEC. 5. If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

SEC. 6. This act provides for a tax levy within the meaning of Article IV of the Constitution and shall go into immediate effect.

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