

property in excess of \$10,000, and is a resident of California on the current lien date.

- c) Property in the amount of \$1,000 of a claimant who is the parent of a deceased veteran who met the service requirement stated in a), receives a pension because of the veteran's service, and is a resident of California on the current lien date.
 - i) Provides that either parent of a deceased veteran may claim this exemption. Provides that an unmarried person who owns property valued at \$5,000 or more, or a married person, who, together with the spouse, owns property valued at \$10,000 or more, is ineligible for this exemption.

This measure:

- 1) Removes a provision in the California Constitution that provides that a taxpayer claiming the homeowners' exemption cannot also claim the disabled veterans' or veterans' exemption.
- 2) Requires the Legislature to increase the disabled veterans' and veterans' exemption if it increases the homeowners' exemption.
- 3) Makes two changes to the veterans' exemption:
 - a) Deletes the limit on claiming the veteran's exemption to only those veterans who own in the aggregate less than \$5,000 if the claimant is single, or \$10,000 if married.
 - b) Allows the Legislature to provide a greater exemption amount than the current \$4,000 one, so long as that amount does not exceed full value.
- 4) Makes technical and conforming changes.

BACKGROUND

Homeowner's Exemption. The Constitution exempts a \$7,000 reduction in taxable value when the home is the principal place of residence of the owner on January 1st of the year the exemption is claimed unless the taxpayer claims another exemption. State law precludes a property that is rented, vacant, under construction on the lien date, or that is a vacation or secondary home. The property must be the taxpayer's true, fixed and permanent home, and principal establishment to which they intend to return if absent. Once granted, the exemption continues until the taxpayer notifies the assessor of ownership changes. The Constitution allows the Legislature to increase the exemption. However, the Legislature must increase subventions to local agencies backfilling any revenue loss and provide an increase in benefits to qualified renters. Unlike other exemptions, Section 25 of Article XIII requires California to backfill local property tax revenue losses resulting from the exemption.

Veterans' Exemption. The Constitution contains an exemption for veterans, which the Constitution defines as someone who is serving or has served in and has been

discharged under honorable conditions from service, in the United States Army, Navy, Air Force, Marine Corps, Coast Guard, or Revenue Marine (Revenue Cutter) Service; and served in any of the following:

- in time of war,
- in time of peace in a campaign or expedition for which a medal has been issued to the veteran by Congress, or
- in time of peace and because of a service-connected disability was released from active duty.

There are 26 wars and 4 campaigns that qualify for the veterans' exemptions in statute. The majority of the wars and campaigns listed occurred over 100 years ago, dating back to the Revolutionary War. The exemption reduces taxable value by \$1,000 (adjusted to \$4,000 in statute) for a person qualifying under the above criteria, or their unmarried surviving spouse or either parent of a deceased veteran meeting the service requirements.

The Constitution only allows the exemption for veterans who own property, real or personal, worth less in aggregate than \$5,000 if the claimant is single, or \$10,000 if married. According to California Board of Equalization, at its peak, from 1956 through 1962, over one million persons received the veterans' exemption. However, the constitutional restrictions for the exemption have rendered it obsolete, so much so that, only one person received the exemption in 2018-19. This exemption has also fallen into disuse because at only \$4,000, any veteran who owns a home can instead claim the homeowners' exemption of \$7,000, which provides greater tax savings.

Disabled Veterans' Exemption. Section 4 of Article XIII allows the Legislature to partially or wholly exempt from property tax the value of a disabled veteran's principal place of residence if the veteran has lost two or more limbs, is totally blind, or is totally disabled as a result of a service-connected injury. The taxpayer must have served in the United States Army, Navy, Air Force, Space Force, Coast Guard, or Marine Corps and been discharged under conditions other than dishonorable. This disabled veterans' exemption is available to disabled veteran taxpayers or their unmarried surviving spouses, so long as the surviving spouse receives a U.S. Department of Veterans Affairs determination that the spouse's death was service-connected. The exemption applies instead of other real property exemptions, like the homeowners' exemption.

State law implementing the exemption doesn't fully exclude the value of a disabled veteran's property, instead enacting a partial exemption of \$100,000 for disabled veteran taxpayers with annual household income of more than \$40,000, or \$150,000 for income lower than that amount, with each threshold adjusted for inflation by the Department of Industrial Relations using the California Consumer Price Index for all items. The current inflation adjusted value for 2023 is \$161,083 for disabled veterans with income of more than \$72,335 and \$241,627 for those with less than that amount.

Seeking to provide additional property tax relief for veterans, including disabled veterans, the author wants to place a constitutional amendment before voters that would allow taxpayers to claim both the homeowners' and disabled veterans' exemption, and allow the Legislature to adjust the aggregate value of property a taxpayer can claim to be eligible for the veterans' exemption.

COMMENTS

- 1) According to the author: Veterans have made significant sacrifices in service to our country. They have put their lives on the line, spent time away from their families, and faced numerous challenges, both physical and mental. And yet, despite all of this, many veterans continue to face difficulties as they transition back to civilian life. One of the biggest challenges that veterans face is the financial burden of owning a home. For many veterans, owning a home can be a dream that is difficult to achieve. They may struggle to make ends meet, especially if they are on a fixed income or facing other financial challenges.

The veterans' exemption provides veterans with a \$4,000 reduction in the taxable value of their property, which can help ease the financial burden of owning a home. This can be especially important for veterans who are facing other challenges related to their service, such as medical bills or disabilities.

Since the veterans' exemption is not adjusted for inflation and the amount of the exemption has remained the same since its creation, along with the restrictions on value of property a veteran may own, the exemption has become outdated and is no longer as beneficial for veterans as it once was. Furthermore, because the homeowners' exemption is \$7,000, nearly twice the amount of the veteran exemption, most California veteran homeowners choose the homeowners exemption.

SCA 6 and SB 871 seek to allow a veteran property owner who qualifies for the veterans' exemption or the disabled veterans' exemption to also receive the homeowners' exemption. These are commonsense measures will provide a much needed tax relief for veterans and their families.

- 2) Eligibility. SCA 6's changes for the veterans' exemption both delete the asset test, and allow the Legislature to increase the exemption amount past the current \$4,000, which should increase the number of taxpayers who claim it if enacted, especially when the exemptions can be stacked as allowed by SCA 6. The disabled veterans' exemption is only allowed when the veteran has lost two or more limbs, is totally blind, or is totally disabled as a result of a service-connected injury, but the veterans' exemption can be claimed by any veteran who served during a specified war or campaign, was issued a medal by Congress during time of peace, or was discharged as a result of a service-connected disability. As a result, SCA 6 could benefit those veterans with service-connected disabilities, but don't meet the criteria for the disabled veterans' exemption. SCA 6 would also benefit taxpayers currently claiming the disabled veterans' exemption by allowing them to claim all three exemptions.
- 3) Argument in Support. In a letter supporting SCA 6, the California Association of Realtors (CAR) stated, in part, the following:

SCA 6 is the constitutional amendment that pairs with SB 871 (Archuleta) which

makes the necessary statutory changes to implement this change in the law. CAR supports SCA 6 as it seeks to provide property tax relief to veterans and their family.

- 4) Double referral. Prior to being heard by this committee, SCA 6 was considered and approved by the Senate Committee on Governance and Finance by a vote of 7-0.

RELATED/PRIOR LEGISLATION

SB 871 (Archuleta) of 2023 makes changes to statute to implement SCA 6's constitutional change to allow eligible taxpayers to also claim both the homeowners' and either the disabled veterans' or veterans' exemption. SB 871 passed the Senate Committee on Governance and Finance on May 3, 2023 by a vote of 7-0.

SB 726 (Archuleta) of 2023 increases the current disabled veterans' exemption from \$161,083 for disabled veterans with income of more than \$72,335, and \$241,627 for those with less than that amount to \$863,790 for all disabled veterans. SB 726 was approved by the Senate Committee on Governance and Finance and the Senate Committee on Military and Veterans Affairs in April and is now Senate Committee on Appropriations' Suspense File.

AB 1715 (Muratsuchi), Chapter 379, Statutes of 2022, updated several provisions in state law, including the disabled veterans' exemption, to include the United States Space Force among the lists of Armed Forces entities. It should be noted that the part of the California Constitution SCA 6 seeks to amend only refers to the United States Army, Navy, Air Force, Marine Corps, Coast Guard, or Revenue Marine (Revenue Cutter) Service.

PRIOR ACTION

Senate Committee on Governance and Finance: 7-0

POSITIONS

Sponsor: Howard Jarvis Taxpayers Association
Los Angeles County Assessor's Office

Support: California Association of Realtors

Oppose: None received

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