

1979

## Property Taxation--Veteran's Exemption

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Official Title and Summary Prepared by the Attorney General

**PROPERTY TAXATION — VETERANS' EXEMPTION. LEGISLATIVE CONSTITUTIONAL AMENDMENT.** Adds Section 3.5 to Article XIII of the Constitution to require that, in any year in which the assessment ratio is changed, the Legislature shall adjust the valuation of assessable property of eligible veterans, unmarried spouses of deceased veterans, and parents of deceased veterans to maintain the same proportionate values of such property. Financial impact: No effect on the amount of property taxes levied. No effect on tax liability of taxpayers claiming the veterans' exemption. Minor initial costs to local government.

**FINAL VOTE CAST BY LEGISLATURE ON SCA 60 (PROPOSITION 3)**

Assembly—Ayes, 76	Senate—Ayes, 35
Noes, 1	Noes, 0

**Analysis by Legislative Analyst**

**Background:**

The California Constitution provides that all property subject to property taxation shall be assessed for property tax purposes at the same percentage of full value. The Legislature, however, may determine what specific percentage of "full value," commonly referred to as the assessment ratio, is to be used by assessors. Existing law requires county assessors to assess property at 25 percent of full value. Thus, a property with a full value of \$80,000 would be assessed for property tax purposes at \$20,000.

The California Constitution also provides for the exemption of certain types of property from property taxation. The veterans' exemption excludes from property taxation \$1,000 of the *assessed* value of taxable property owned by a veteran of the armed services, the unmarried spouse of a deceased veteran, or the parent of a deceased veteran. Eligible persons must own property valued at less than \$5,000 in the case of single persons, and \$10,000 in the case of married persons, in order to qualify for the exemption. These property value limits have been interpreted by the California courts to be based on the *assessed* value of taxable property and the *full* value of all other property.

**Proposal:**

Passage of this ballot proposition would cause legislation enacted in 1978 to go into effect. This legislation—Chapter 1207, Statutes of 1978—would change the assessment ratio from 25 percent of full value to 100 percent of full value, beginning with the 1981–82 tax year. It would also make a number of technical changes in various provisions of law to make them consistent with the change in the assessment ratio. Chapter 1207 contains a provision specifying that it will not take effect until this ballot proposition is approved by the voters.

This ballot proposition would also require the Legislature to adjust the amount of the veterans' exemption, which currently is \$1,000 of assessed value, to reflect any changes made by the Legislature in the assessment ratio. Chapter 1207 increases this ratio from 25 percent to 100 percent, and requires that the amount of the veterans' exemption be increased from \$1,000 to \$4,000 of assessed value.

Passage of this ballot proposition would also cause legislation enacted in July 1979 to go into effect. This legislation—Chapter 260, Statutes of 1979—would provide that the property value limit used in determining eligibility for the veterans' exemption (\$5,000 in the case of a single person and \$10,000 in the case of married persons) is to be increased to reflect any increase in the value of a claimant's property resulting from the change in the assessment ratio.

**Fiscal Effect:**

The change in the assessment ratio from 25 percent to 100 percent would have no effect on the amount of property taxes levied or the amount of value exempted by current property tax exemptions. The proposition would require certain state and local agencies to make adjustments in all computations which use assessed value as a factor. Most of these changes would affect data processing procedures used by county auditors and assessors. The cost of these adjustments statewide is estimated to be relatively minor. Because these local costs would result from a constitutional amendment approved by the voters, they would not be reimbursed by the state.

The change in the veterans' exemption would have no effect on the tax liability of any taxpayer claiming the veterans' exemption.

## Argument in Favor of Proposition 3

Proposition 3 is concerned with the method of stating property taxes on your property tax bill. *Its passage would neither raise nor lower property taxes but would make it easier for you to understand how your taxes are computed.*

For many years, tax assessors have used a 25% assessment ratio in computing property taxes. If your house is valued at \$80,000 for property tax purposes, the assessor multiplies that amount by 25% for an assessed value of \$20,000. The tax collector then divides the assessed value by 100, and multiplies it by the county tax rate per \$100 of assessed value to yield the amount of tax due. If you have never understood the computation of your property tax when you paid your bill, it was because of this confusing system.

Passage of Proposition 3 will eliminate use of the 25% assessment ratio and the rate per \$100. Instead, the tax rate will be stated as a simple percentage of the assessed value. Property taxes on an \$80,000 house will, under the 1% limitation of Proposition 13, be stated as 1% of \$80,000 (plus the addition allowed under Proposition 13

for outstanding indebtedness from voter-approved bonds). The result will be an understandable system without complicated or confusing formulas.

The language of Proposition 3 also ensures that the current Veterans' Property Tax Exemption guaranteed by the California Constitution is not reduced by this change.

Proposition 3 is designed to simplify the property tax system and make it more easily understandable to property taxpayers *without increasing or decreasing anyone's taxes. Proposition 3 in no way changes the property tax limitations or the amount of property taxes payable under Proposition 13.*

Proposition 3 received bipartisan support in the Legislature. We urge its adoption by the people.

**ALAN SIEROTY**

*State Senator, 22nd District*

**ROSE ANN VUICH**

*State Senator, 15th District*

**MEL LEVINE**

*Member of the Assembly, 44th District*

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No argument against Proposition 3 was submitted

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Text of proposed law appears on page 22

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### TEXT OF PROPOSITION 3

This amendment proposed by Senate Constitutional Amendment No. 60 (Statutes of 1978, Resolution Chapter 85) expressly adds a section to the Constitution; therefore, provisions proposed to be added are printed in *italic type* to indicate that they are new.

### PROPOSED AMENDMENT TO ARTICLE XIII

*SEC. 3.5. In any year in which the assessment ratio is changed, the Legislature shall adjust the valuation of assessable property described in subdivisions (o), (p) and (q) of Section 3 of this article to maintain the same proportionate values of such property.*

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### TEXT OF PROPOSITION 4—Continued from page 17

attendance as determined by a method prescribed by the Legislature;

(g) "Debt service" shall mean appropriations required to pay the cost of interest and redemption charges, including the funding of any reserve or sinking fund required in connection therewith, on indebtedness existing or legally authorized as of January 1, 1979 or on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose.

(h) The "appropriations limit" of each entity of government for each fiscal year shall be that amount which total annual appropriations subject to limitation may not exceed under Section 1 and Section 3; provided, however, that the "appropriations limit" of each entity of government for fiscal year 1978-79 shall be the total of the appropriations subject to limitation of such entity for that fiscal year. For fiscal year 1978-79, state subventions to local governments, exclusive of federal grants, shall be deemed to have been derived from the proceeds of state taxes.

(i) Except as otherwise provided in Section 5, "appropriations subject to limitation" shall not include local agency loan funds or indebtedness funds, investment (or authorizations to invest) funds of the state, or of an entity of local government in accounts at banks or savings and loan associations or in liquid securities.

*SEC. 9. "Appropriations subject to limitation" for each entity of government shall not include:*

(a) Debt service.

(b) Appropriations required for purposes of complying with mandates of the courts or the federal government which, without discretion, require an expenditure for additional services or which unavoidably make the providing of existing services more costly.

(c) Appropriations of any special district which existed on January 1, 1978, and which did not as of the 1977-78 fiscal year levy an ad valorem tax on property in excess of 12½ cents per \$100 of assessed value; or the appropriations of any special district then existing or thereafter created by a vote of the people, which is totally funded by other than the proceeds of taxes.

*SEC. 10. This Article shall be effective commencing with the first day of the fiscal year following its adoption.*

*SEC. 11. If any appropriation category shall be added to or removed from appropriations subject to limitation, pursuant to final judgment of any court of competent jurisdiction and any appeal therefrom, the appropriations limit shall be adjusted accordingly. If any section, part, clause or phrase in this Article is for any reason held invalid or unconstitutional, the remaining portions of this Article shall not be affected but shall remain in full force and effect.*