1990

Property Tax Exemption For Severely Disabled Persons.

110 Property Tax Exemption for Severely Disabled Persons. Legislative Constitutional Amendment

Official Title and Summary

PROPERTY TAX EXEMPTION FOR SEVERELY DISABLED PERSONS. LEGISLATIVE CONSTITUTIONAL AMENDMENT. Measure would permit Legislature to allow severely disabled homeowners to transfer base year values of former primary residences to replacement dwellings, purchased or newly constructed on or after the effective date of this measure. This measure would also exclude from the definition of "newly constructed" the construction, installation, or modification of any portion or structural component of a single or multiple family dwelling eligible for the homeowner's exemption if such construction, installation or modification is for the purpose of making the dwelling more accessible to severely disabled persons. Summary of Legislative Analyst's estimate of net state and local government fiscal impact: Measure would have no direct state or local fiscal effect because it merely authorizes the Legislature to implement its provisions. If implemented by Legislature, reductions in annual property tax collections from the reappraisal of replacement homes beginning in 1990–91, would result in property tax revenue loss of probably $1 million to $2 million per year. However, exclusions of structural improvements for use by disabled persons from reappraisal would not reduce revenues by a significant amount. Cities, counties and special districts would bear approximately two-thirds of the revenue loss, with the remainder affecting school districts and community college districts. However, existing law requires the state to replace lost education revenues if they caused the amount of funding per student to fall below existing levels, as adjusted for inflation.

Final Vote Cast by the Legislature on SCA 37 (Proposition 110)

Assembly:	Ayes 72	Senate:	Ayes 38
	Noes 0		Noes 0

Analysis by the Legislative Analyst

Background

Local property taxes are based on each property's assessed value. As long as a property has the same owner, its assessed value generally remains the same each year, except for a small increase for inflation. Whenever property is bought or built on, however, the property is reappraised and its market value usually becomes its new assessed value. Current law allows some exceptions to this general rule. For example, homeowners over the age of 55 may transfer the assessed value of their present home to a replacement home under certain circumstances, thereby exempting them from the increased property taxes they would otherwise pay.

To qualify for this special treatment, the following conditions must be met:

- The homeowner must buy or build the replacement home within two years of the sale of the previous home;
- The replacement home cannot be worth more than the previous home; and
- The move to the replacement home must be made within the same county or to a county that has agreed to accept the transfer of assessed value from the original home.

Current law also exempts property owners from paying higher taxes when they make certain types of improvements to their property, such as adding fire detectors and sprinklers.

Proposal

This constitutional amendment would authorize the Legislature to:

- Allow severely disabled homeowners, regardless of their age, to transfer the assessed value of their existing home to a replacement home in the same way now provided for homeowners over the age of 55; and
- Exclude from reappraisal building improvements that make an owner-occupied home more usable by severely disabled persons.

These provisions would apply only to replacement homes bought or improvements made on and after June 5, 1990.

Fiscal Effect

This measure would have no direct state or local fiscal effect, because it merely authorizes the Legislature to implement its provisions.

If implemented by the Legislature, the measure would reduce annual property tax collections from the reappraisal of replacement homes, beginning in 1990–91. The property tax revenue loss probably would be $1 to $2 million per year. However, improvements to make homes more usable by the disabled usually do not add substantial market value, so that excluding these improvements from reappraisal would not reduce revenues by a significant amount.

Cities, counties, and special districts would bear approximately two-thirds of the revenue loss. The remainder of the loss would affect school districts and community college districts. Under existing constitutional requirements, the state would have to replace these lost education revenues if they caused the amount of funding per student to fall below existing levels, as adjusted for inflation.

Property Tax Exemption for Severely Disabled Persons. Legislative Constitutional Amendment

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Argument in Favor of Proposition 110

Everyone struggles with taxes. But for some of us, the amount due can mean financial disaster. That's why we ask you to vote *Yes* on Proposition 110, tax relief for the severely disabled.

Imagine yourself suffering a crippling stroke. You not only lose mobility, you suffer a major loss of income. Because of your limitations, you may have to modify your home or move to one more accessible. When you can least afford the expense, you face the burden of higher property taxes!

That can happen because of the tax formula created by Proposition 13. In 1978 Californians limited their property tax obligation to 1% of assessed value. Assessed value was defined as the value of the property in 1976, or the purchase price of property acquired after 1978. Assessed value would also increase with any improvements made. Thus, for long-time homeowners, taxes remain low. For those purchasing new property, taxes rise significantly with the escalating value of housing.

Many find the tax burden unpleasant but bearable. As income grows and families expand, they choose to move and accept the consequences. Some, however, are forced by circumstance to abandon their current homes and low tax rate. They have no choice but to confront higher taxes they cannot afford.

In 1986 you granted property tax relief to senior citizens. You permitted them to transfer their prior tax obligation to a new home, regardless of price, if they remained in the same county. That was good public policy. Sheltering seniors enabled them to leave larger homes and opened up housing opportunities for younger families. Now we ask for similar positive relief for the severely disabled.

Disability may do more than force a family out of its home. Higher property taxes may force it out of any home at all! With lower income, with no choice but to move, higher tax liability may be the final straw that leads to institutionalization or homelessness.

The cost to the taxpayers of lost independence by the disabled can far exceed the potential revenue loss this proposition might cause (estimated at less than $10 million per year statewide). It is in our interest to ensure that the disabled lead their lives as freely and productively as possible. Permitting them to maintain a home is not only fair: it makes good sense.

Proposition 110 guarantees that those with severe disabilities will be able to move, or modify their dwellings, without being crushed by higher taxes. It simply permits the disabled to "carry over" their prior property tax obligation when forced to move but remaining within their county—just as we now provide for our senior citizens. And it prevents tax increases for modifications needed to make a home accessible.

We owe it to ourselves to minimize the costs of disability to the state and our impaired neighbors. Vote *Yes* on Proposition 110. It's a wise choice for all of us.

BILL LOCKYER
State Senator, 10th District
RUBEN AYALA
State Senator, 34th District

No argument against Proposition 110 was filed

Text of proposed law appears on page 60

Proposition 108: Text of Proposed Law

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pursuant to Section 16724.5 of the Government Code. The bonds, when sold, shall be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal of, and interest on, the bonds as the principal and interest become due and payable.

2701.11. (a) Except as provided in subdivision (b), the bonds authorized by this chapter shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), and all of the provisions of that law apply to the bonds and to this chapter and are hereby incorporated in this chapter as though set forth in full in this chapter.

(b) Notwithstanding any provision of the State General Obligation Bond Law, each issue of bonds authorized by the committee shall have a final maturity of not more than 20 years.

2701.12. (a) Solely for the purpose of authorizing the issuance and sale, pursuant to the State General Obligation Bond Law, of the bonds authorized by this chapter, the Passenger Rail Finance Committee is hereby created. For purposes of this chapter, the Passenger Rail Finance Committee is "the committee" as that term is used in the State General Obligation Bond Law. The committee consists of the Treasurer, the Director of Finance, the Controller, the Secretary of the Business, Transportation and Housing Agency, and the Director of Transportation, or their designated representatives. The Treasurer shall serve as chairperson of the committee. A majority of the committee may act for the committee.

(b) For purposes of the State General Obligation Bond Law, the department is designated the "board."

2701.13. The committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this chapter in order to carry out the actions specified in Section 2701.06 and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be issued and sold to carry out those actions progressively, and it is not necessary that all of the bonds authorized be issued and sold at any one time. The committee shall consider program funding needs, revenue projections, financial market conditions, and other necessary factors in determining the shortest feasible term for the bonds to be issued.

2701.14. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year. It is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act which is necessary to collect that additional sum.

2701.15. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this chapter, an amount equal to that sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this chapter, as the principal and interest become due and payable.

2701.16. (a) Money may be transferred from the fund to the State Transportation Fund to reimburse the Transportation Planning and Development Account and the State Highway Account for expenditures made from those accounts, on and after June 6, 1990, for capital improvements and acquisitions of rolling stock for intercity rail, commuter rail, and urban rail transit in accordance with Chap' 2 (commencing with Section 14520) of Part 5.3 of Division 3 of Tit. the Government Code, as specified in Section 2701.06.

(b) The amount that may be transferred pursuant to subdivision (a) shall not exceed the amount expended from those accounts for those capital improvements and acquisitions of rolling stock.

2701.17. The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account, in accordance with Section 16312 of the Government Code, for purposes of this chapter. The amount of the request shall not exceed the amount of the unsold bonds which the committee has, by resolution, authorized to be sold for the purpose of this chapter, less any amount borrowed pursuant to Section 2701.18. The board shall execute such documents as required by the Pooled Money Investment Board to obtain and repay the loan. Any amount loaned shall be deposited in the fund to be allocated by the board in accordance with this chapter.

2701.18. For the purpose of carrying out this chapter, the Director of Finance may authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of unsold bonds which have been authorized by the committee to be sold for the purpose of carrying out this chapter, less any amount borrowed pursuant to Section 2701.17. Any amount withdrawn shall be deposited in the fund. Any money made available under this section shall be returned to the General Fund, plus the interest that the amounts would have earned in the Pooled Money Investment Account, from the sale of bonds for the purpose of carrying out this chapter.

2701.19. All money deposited in the fund which is derived from premium and accrued interest on bonds sold shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

2701.20. The bonds may be refunded in accordance with Article 6 (commencing with Section 16780) of the State General Obligation Bond Law.

2701.21. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this chapte… not "proceeds of taxes" as that term is used in Article XIII B o… California Constitution, the disbursement of these proceeds is n… subject to the limitations imposed by that article.

2701.22. Notwithstanding any provision of the State General Obligation Bond Law with regard to the proceeds from the sale of bonds authorized by this chapter that are subject to investment under Article 4 (commencing with Section 16470) of Chapter 3 of Part 2 of Division 4 of Title 2 of the Government Code, the Treasurer may maintain a separate account for investment earnings, order the payment of those earnings to comply with any rebate requirement applicable under federal law, and may otherwise direct the use and investment of those proceeds so as to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

2701.23. Notwithstanding Section 2701.10, bonds may not be issued under this chapter if Senate Constitutional Amendment 1 of the 1989–90 Regular Session is not submitted to, and approved by, the voters at the June 5, 1990, direct primary election.

Proposition 110: Text of Proposed Law

This amendment proposed by Senate Constitutional Amendment 37 (Statutes of 1988, Resolution Chapter 102) expressly amends the Constitution by amending a section thereof; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be inserted or added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENTS TO ARTICLE XIII A, SECTION 2

First—That a paragraph is added at the end of subdivision (a) of Section 2 of Article XIII A thereof, to read:

The Legislature may extend the provisions of this subdivision relating to the transfer of base year values from original properties to replacement dwellings of homeowners over the age of 55 years to severely disabled homeowners, but only with respect to those replacement dwellings purchased or newly constructed on or after the effective date of this paragraph.

Second—That subdivision (c) of Section 2 of Article XIII A thereof is amended to read:

(c) For purposes of subdivision (a), the Legislature may provide that the term "newly constructed" shall not include ~~both~~ *any* of the following:

(1) The construction or addition of any active solar energy system.

(2) The construction or installation of any fire sprinkler system, other fire extinguishing system, fire detection system, or fire-related egress improvement, as defined by the Legislature, which is constructed or installed after the effective date of this paragraph.

(3) The construction, installation, or modification on or after the effective date of this paragraph of any portion or structural compon…t of a single or multiple family dwelling which is eligible fo… homeowner's exemption if the construction, installation, … modification is for the purpose of making the dwelling more accessible to severely disabled person.
