

## CALIFORNIA FRANCHISE TAX BOARD

Legal Ruling No. 335

January 9, 1969

### 1968 AND 1969 HOMEOWNERS' EXEMPTION

Syllabus:

Treatment of the \$70 payment received in 1969 under the Homeowners' Property Tax Exemption Program varies according to the tax deductions claimed by taxpayers on their 1968 and 1969 returns.

Senate Constitutional Amendment No. 1, passed November 5, 1968, provides that \$750 of a dwelling's assessed value shall be exempt from tax and that for the 1968-1969 fiscal year only, the exemption shall be effected by the payment of \$70. Senate Bill No. 8 of the 1968 First Extraordinary Session, in addition to setting forth the payment procedure, amended Section 17204 of the Revenue and Taxation Code to require that the deduction for real property taxes be reduced by amounts received under the property tax exemption program. There is no express provision governing the taxability of such amounts. Because taxpayers may elect to use the standard deduction in either or both 1968 and 1969, it is apparent that the offsetting treatment prescribed by Section 17204, as amended, is not exclusive.

The four possible situations and the treatment required in each are set forth below:

- (a) Itemized deductions claimed in both 1968 and 1969. The 1969 deduction for real property taxes must be reduced by the \$70 received.
- (b) Standard deduction claimed in 1968, itemized deductions claimed in 1969. Same treatment as in (a), above.
- (c) Itemized deductions claimed in 1968, standard deduction claimed in 1969. The \$70 deductible in gross income subject, however, to the recovery exclusion provisions of Sections 17144-45 of the Revenue and Taxation Code.
- (d) Standard deduction claimed in both 1968 and 1969. The \$70 is excludible from gross income.

(Sections 17144-45, Rev. Rul. 56-447, 1956-2 Cum. Bull. 102).