

Date of Hearing: April 27, 2026

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION

Mike Gipson, Chair

AB 2022 (Jeff Gonzalez) – As Amended March 26, 2026

Majority vote. Tax levy. Fiscal committee.

SUBJECT: Property taxation: exemption: disabled veteran homeowners

SUMMARY: Expands the disabled veterans' welfare exemption by exempting the entire value of a qualifying property. Specifically, **this bill:**

- 1) Provides that, in lieu of the disabled veterans' exemption under existing law, the entire value of the principal place of residence of a disabled veteran, as defined, the veteran's spouse, or the veteran and their spouse jointly, is exempt from taxation.
- 2) Extends this bill's modifications to the principal place of residence of a deceased disabled veterans' unmarried surviving spouse, only if the property for which the exemption is sought was the principal place of residence of the veteran when they died. The property of an otherwise eligible disabled veteran who died prior to January 1, 2024 is eligible for this bill's expansion.
- 3) Provides that, when deeming the principal place of residence in the case of an eligible unmarried surviving spouse confined to a hospital or other care facility, the disqualifying rental or lease to a third party does not include renting or leasing to a member of the deceased veteran's family, as defined under existing federal law.
- 4) Provides that this bill's provisions apply to property tax lien dates occurring on or after January 1, 2027, and before January 1, 2032.
- 5) Provides that it is the intent of the Legislature to apply the requirements of Revenue and Taxation Code (R&TC) Section 41 to this bill's provisions. The goal, purpose, and objective of this bill is to reduce homelessness by providing a tax exemption to 100% disabled veteran homeowners.
- 6) Requires the State Board of Equalization (BOE) to report to the Legislature, to the extent data is available from county assessors, the amount of assessed value exempt and the number and type of taxpayers granted this exemption. The BOE must report this information beginning June 1, 2027, for five years.
- 7) Takes immediate effect as a tax levy.
- 8) Repeals this bill's provisions as of January 1, 2032.

EXISTING FEDERAL LAW provides that, for certain purposes, the family of an individual shall include only the individual's siblings, spouse, ancestors, and lineal descendants.

EXISTING STATE LAW:

- 1) Provides that all property is taxable unless otherwise provided by the California Constitution or the laws of the United States. (California Constitution, Article XIII, Section 1.)
- 2) Limits the maximum amount of *ad valorem* property taxation to 1% of the full cash value of the property. Generally, the Constitution restricts the full cash value of a property to the assessed value upon a change of ownership in, or new construction on, the property. This is referred to as the base year value, which may be adjusted upwards for inflation at no more than 2% annually. (California Constitution, Article XIII, Sections 1 and 2.)
- 3) Authorizes the Legislature to exempt, in whole or in part, the principal place of residence of a disabled veteran, or their eligible surviving spouse, from property taxation. (California Constitution, Article XIII, Section 4.) In implementing this authorization, the Legislature exempts \$100,000 of the value of an eligible disabled veteran's principal residence from property taxation, or \$150,000 if the disabled veteran has a household income of \$40,000 or less. These amounts are adjusted for inflation beginning on specified dates and this exemption is also known as the "disabled veteran's exemption". An eligible surviving spouse is the unmarried spouse of a disabled veteran who would have qualified for the exemption if they died before January 1, 1977. The disabled veterans' exemption applies to otherwise eligible property if the disabled veteran, or their unmarried surviving spouse, is confined to a hospital or other care facility, and if that property is not rented or leased to a third party. A family member is not considered a third party for these purposes. (R&TC Section 205.5.)

FISCAL EFFECT: Pending an estimate by the BOE, but Committee Staff notes that a substantively similar bill, SB 296 (Archuleta), would result in an estimated \$192 million in revenue losses attributable to the disabled veterans' exemption.

COMMENTS:

- 1) The author has provided the following statement in support of this bill:

As a disabled veteran, I know firsthand the lifelong challenges that service-connected injuries can create, not only physically, but financially as well. Veterans who are rated 100% disabled often rely on fixed incomes and face significant barriers to employment, yet many still struggle to keep up with rising housing costs and property taxes in California. AB 2022 recognizes the sacrifices these veterans have made by providing a full property tax exemption for their primary residence, helping ensure they can remain safely housed in the communities they call home. This bill also extends that stability to the unmarried surviving spouses of qualifying veterans, honoring their families' sacrifice as well. By reducing this financial burden, AB 2022 helps deliver the dignity, security, and support that our most severely disabled veterans have earned through their service to our nation.

- 2) The California Association of Realtors, writing in support of this bill, states, in part:

Current law allows partial property tax exemptions for disabled veterans, based on specific income limits. Instead, AB 2022 would provide a full property tax exemption regardless of income, from January 1, 2027, to January 1, 2032, for veterans who are disabled as a result of their service and limits them from receiving additional property tax

exemptions if they receive this. The exemption would extend to the principal residence of a disabled veteran's widowed, unmarried spouse in the same amount they would have been entitled to if the veteran were alive.

In an environment of increasing homeownership costs, this bill provides veterans who have served and sacrificed to the point of 100% disability, a measure of much-needed property tax relief and housing stability for themselves and their families.

- 3) The California Teachers Association (CTA), writing in opposition to a host of tax expenditures referred to this Committee, states, in part:

In fiscal year 2025-26, the Department of Finance estimated a \$94 billion dollar loss in general fund revenue due to existing tax expenditures. This is revenue that would have otherwise gone to the General Fund, of which approximately 40% would have gone toward the Proposition 98 minimum guarantee. Once tax credits are passed with a simple majority, it takes a two-thirds vote of the Legislature to repeal them.

While we understand that some of these bills are well intended, CTA does not support this approach, as it would reduce overall funding for education. CTA believes Proposition 98 should be protected from reductions through the creation of new or expanding existing tax expenditures.

- 4) Committee Staff Comments:

- a) *This bill:* As currently drafted, this bill would provide a total exemption on the assessed value of the principal place of residence of a disabled veteran or their unmarried surviving spouse. This bill generally mirrors the other provisions of the existing disabled veterans' exemption, but with certain changes.

Existing law provides for a low-income exemption that exempts a greater value for low-income disabled veterans. This bill would remove that distinction by exempting the total value of an eligible veteran's principal place of residence.

Existing law provides that the qualifying property of an eligible disabled veteran who died before January 1, 1977 remains qualified. This bill would provide similar treatment for this bill's proposed expansion of the exemption if the eligible disabled veteran died before January 1, 2024.

Existing law provides that a disabled veteran's principal place of residence, or that of their unmarried surviving spouse, is eligible for the exemption if that property would be the principal place of residence if not for confinement of the disabled veteran, or their unmarried surviving spouse, in a hospital or other care facility. A property no longer qualifies if it is rented or leased to a third party during this confinement. A family member is not considered a third party. This bill would provide that, for the purposes of deeming the principal place of residence of the unmarried surviving spouse during an eligible confinement, a family member is defined as a member of the deceased veteran's family, as defined in existing federal income tax law.

- b) *Bifurcation of the exemption*: As noted previously, the existing disabled veterans' exemption is distinguished based on income. This two-tiered system provides a greater exempt amount for disabled veterans with \$40,000 of income or below. This income limitation is adjusted for inflation and equals \$81,131 for the 2026 lien date. This bill would exempt all value from taxation on the principal place of residence of an eligible disabled veteran, regardless of income. The author's stated intent is to alleviate veteran homelessness by expanding this exemption. Given this intent, one might reasonably question whether wealthier disabled veterans who are not under threat of homelessness should pay no property tax on their home regardless of prior sacrifice in service to the nation. The Committee may wish to consider amending this bill to exempt 50% of the value of the principal place of residence of a disabled veteran who exceeds the existing low-income limitation threshold.
- c) *Renting or leasing to a family member*: Existing law provides that the principal place of residence of a disabled veteran, or their unmarried surviving spouse, remains eligible for the exemption if the eligible owner is confined to a hospital or other care facility, and makes ineligible property that is rented or leased to a third party. A family member is not considered a third party for these purposes. This bill would, in the case of the unmarried surviving spouse, provide that renting or leasing to a family member of the deceased veteran, as defined under existing federal income tax law, does not make the property ineligible for the exemption. Committee staff is unclear as to the necessity of this change, and the Committee may wish to consider retaining provisions under existing law for this bill's expansion.
- d) *Proposition 98 (Prop. 98)*: In 1988, California voters approved Prop. 98, which guarantees a certain level of educational funding for schools and community colleges based on certain calculations that vary with General Fund revenues and changes in per capita personal income. Three types of calculations, or tests, are stipulated in the law, and these tests impact the overall amount of revenue reserved for schools in any given year. In Test 1 years, "changes in property tax revenue have dollar-for-dollar effects on the guarantee." According to the Legislative Analyst's Office (LAO), Test 1 remains operative for the 2026-27 FY¹. Thus, expanding the disabled veterans' exemption would reduce the Prop. 98 minimum guarantee as property tax revenues decrease from this bill's expansion, creating backfill pressure.
- e) *What is a "tax expenditure"?* Existing law provides various credits, deductions, exclusions, and exemptions for particular taxpayer groups. In the late 1960s, United States Treasury officials began arguing that these features of the tax law should be referred to as "expenditures" since they are generally enacted to accomplish some governmental purpose and there is a determinable cost associated with each of them (in the form of forgone revenues). This bill would expand an existing property tax expenditure, thereby constituting a tax expenditure.
- f) *Committee's tax expenditure policy*: SB 1335 (Leno), Chapter 845, Statutes of 2014, added R&TC Section 41, which recognized that the Legislature should apply the same level of review used for government spending programs to tax credits introduced on or

¹ *Proposition 98 and K-12 Education, The 2026-27 Budget*, Legislative Analyst's Office (February 4, 2026). <https://lao.ca.gov/Publications/Report/5110> (accessed March 2026).

after January 1, 2015. AB 263 (Burke), Chapter 743, Statutes of 2019, extended the requirements in R&TC Section 41 to all tax expenditure measures under the Personal Income Tax Law, the Corporation Tax Law, and the Sales and Use Tax Law introduced on or after January 1, 2020. This Committee's policy is to treat all tax expenditures similarly, and requires that all proposed property tax expenditures likewise comply with R&TC Section 41.

A tax expenditure proposal must outline specific goals, purposes, and objectives that the tax expenditure will achieve, along with detailed performance indicators for the Legislature to use when measuring whether the tax expenditure meets those stated goals, purposes, and objectives. In addition to the R&TC Section 41 requirements, this Committee's policy also requires that all tax expenditure proposals contain an appropriate sunset provision to be eligible for a vote². Sunsets are required because eliminating a tax expenditure generally requires a 2/3rd vote. These requirements must be satisfied before a bill can receive a vote in this Committee. This bill contains a five-year sunset and complies with the requirements of R&TC Section 41.

- g) *Related legislation:* SB 296 (Archuleta) is substantively similar to this bill, but authorizes the expanded exemption for 10, rather than five years. SB 296 (Archuleta) is pending as a two-year bill in this Committee.

REGISTERED SUPPORT / OPPOSITION:

Support

California Association of Realtors

Opposition

California Teachers Association

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² An "appropriate sunset provision" shall mean five years, except in the case of a tax expenditure measure providing relief to California veterans, in which case "appropriate sunset provision" shall mean 10 years.