
SENATE COMMITTEE ON REVENUE AND TAXATION

Senator Jerry McNerney, Chair
2025 - 2026 Regular

Bill No:	AB 2022	Hearing Date:	6/10/26
Author:	Jeff Gonzalez	Tax Levy:	Yes
Version:	4/29/26 Amended	Fiscal:	Yes
Consultant:	Grinnell		

PROPERTY TAXATION: EXEMPTION: DISABLED VETERAN HOMEOWNERS

Enacts a substitute disabled veterans' exemption, equal to either a full exemption for those currently qualifying for the "low-income" exemption, or 50% of the value for those currently qualifying for the "basic" exemption.

Background

The California Constitution provides that all property is taxable unless explicitly exempted by the Constitution or federal law. The Constitution limits the maximum amount of any ad valorem tax on real property at 1% of full cash value, plus any locally-authorized bonded indebtedness. Assessors reappraise property whenever it is purchased, newly constructed, or when ownership changes.

The Constitution 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 (USDVA) determination that the spouse's death was service connected. The exemption applies instead of other real property exemptions, like the homeowners' exemption.

Current law defines "totally disabled" to mean that either the USDVA or the military service from which the veteran was discharged has rated the disability at 100% or has rated the disability compensation at 100% by reason of being unable to secure or follow a substantially gainful occupation. State law also contains specific definitions for blindness and the loss of two or more limbs.

State law implementing the exemption does not fully exclude the value of a disabled veteran's property. Instead, state law authorizes a partial exemption of \$100,000 for disabled veteran taxpayers with an annual household income of more than \$40,000, or a partial exemption of \$150,000 for income lower than the \$40,000. Each of these threshold amounts are adjusted for inflation by the Department of Industrial Relations using the California Consumer Price Index for all items. The current inflation-adjusted value of the "basic" exemption for 2026 is \$180,671 for disabled veterans with income above \$81,131, and a "low-income" exemption amount of \$271,009 for those with income below \$81,131. The Board of Equalization (BOE) recently

announced that for 2027, the above amounts increased to \$185,889 for disabled veterans with income above \$83,474, and \$278,836 for those with income below that amount.

Seeking to reduce property taxes for those who have incurred service-connected disabilities, the author wants to increase the amount of the disabled veterans' exemption.

Proposed Law

Assembly Bill 2022 enacts a substitute disabled veterans' exemption, which applies commencing on the January 1, 2027, lien date and ending before the January 1, 2032, lien date. Under AB 2022's exemption:

- Disabled veterans eligible for the current "low-income exemption" (those with income below \$83,474 in 2027) are instead exempt from property tax on their principal residence.
- Those disabled veterans eligible for the basic exemption are instead exempt on 50% of the full value of their principal residence, unless the value of their residence is less than \$371,738, in which case the exemption amount defaults back to \$185,889 (the exemption amount for 2027 under current law).

The bill incorporates nearly identical provisions from the current disabled veterans' exemption to guide implementation, including definitions, qualification criteria, applying its revised exemption amounts to qualified unmarried surviving spouses continuing to occupy the disabled veteran's residence, and ensuring that disabled veterans continue to qualify for the exemption if confined to a hospital or other care facility. The measure also makes legislative findings and declarations to comply with Section 41 of the Revenue & Taxation Code.

State Revenue Impact

According to BOE, "suspending the current basic and low-income exemptions and replacing them with a full and 50% property tax exemption would result in an estimated \$181 million annual property tax revenue loss."

Comments

1. **Purpose of the bill.** According to the author, "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 expanding the existing 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. **Who benefits?** Generally, property tax exemption amounts do not depend on the taxpayer's income. However, the current bifurcated disabled veterans' income-based exemption amounts were enacted by the Legislature when it allowed a greater exemption (\$15,000 at the time) for

disabled veterans with income sufficiently low to qualify for the Property Tax Postponement program (AB 955, Mangers, 1978). The Legislature maintained the distinction when it fixed the current exemption amounts (SB 320, Royce, 1989) and later applied inflation adjustment (SB 1362, Poochigian, 2000). AB 2022 maintains this distinction while increasing the exemption amount for many disabled veteran taxpayers. For taxpayers currently qualifying for the low-income exemption, AB 2022 would fully exempt their principal residences from property tax. For those with income exceeding the threshold for the low-income exemption, AB 2022 would provide a 50% exemption, unless their assessed value is less than \$371,138, in which case they would continue to receive the greater benefit afforded by the current exemption. As a result, the bill eliminates property taxes entirely for lower-income disabled veterans who have sacrificed greatly for their country. However, it also enhances the benefit received by those disabled veterans who have sufficient income to meet current tax obligations despite their disability by substituting the current fixed exemption amount to one equal to 50% of value. Additionally, those disabled veterans with higher-value homes would benefit most; for a home with an assessed value of \$2 million, AB 2022 would increase the exemption from \$371,138 to \$1 million. Lastly, assessors would still have to verify the taxpayer's income, so it's not likely to ease administration of the exemption.

3. Coming home. According to BOE, disabled veteran taxpayers claimed 85,920 exemptions worth almost \$13 billion in 2024-25, of which 6,039 qualified for the low-income exemption. Across California, the counties of San Diego (17,778), Riverside (12,394), San Bernardino (5,897), Los Angeles (5,634), and Sacramento (4,133) have the most disabled veterans' exemptions claimed in 2025. The number of exemptions has increased significantly in recent years: in 2018, San Diego had only 6,490, Riverside only 4,895, Los Angeles 3,332, San Bernardino 2,817, and Sacramento 2,660.

4. Related legislation. Last year, the Committee and the Senate unanimously approved SB 296 (Archuleta), which converted the current partial disabled veterans' exemption to a full exemption regardless of income. The Assembly Revenue & Taxation Committee heard the measure but retained it on its suspense file.

Additionally, Governor Newsom's 2025-26 Proposed Budget excludes up to \$20,000 of military retirement pay and survivor benefit pay for taxpayers with an adjusted gross income (AGI) of \$250,000 or less, in the case of a surviving spouse or spouses filing a joint return, and \$125,000 or less, for any other individual. The Legislature subsequently enacted the proposal as the Military Services Retirement and Surviving Spouse Benefit Payment Act as part of the 2025 Budget Act (SB 132, Committee on Budget & Fiscal Review, 2025). The exclusion commenced in the 2025 taxable year and is set to end after the 2029 taxable year.

5. Section 41. Section 41 of the Revenue and Taxation Code requires any bill enacting a new tax expenditure to contain, among other things, specific goals, purposes, and objectives that the tax expenditure will achieve and detailed performance indicators, along with data collection and reporting requirements (SB 1335, Leno, 2014). To comply with Section 41, AB 2022:

- States that its goal, purpose, and objective is to reduce homelessness by providing a tax exemption to 100 percent disabled veteran homeowners.
- Directs BOE, to the extent data is available from county assessors, to annually collect and report to the Legislature data to quantify the amount of assessed value exempted and the number and type of taxpayers granted this exemption.

6. Mandate. The California Constitution requires the state to reimburse local governments for the costs of new or expanded state mandated local programs. Because AB 2022 expands the disabled veterans' exemption, Legislative Counsel says that this bill imposes a new state mandate. The measure provides that the state shall not reimburse local agencies for property tax revenue losses, instead stating that, should the Commission on State Mandates determine that the bill imposes a reimbursable mandate, reimbursement must be made pursuant to existing statutory provisions. Unlike the homeowners' exemption, the state does not backfill local agencies for revenue losses attributable to the disabled veterans' exemption.

7. Coming and going. The Senate Rules Committee ordered a double referral of AB 2022: first to the Revenue and Taxation Committee to consider its tax implications, and second to the Military and Veterans Affairs Committee.

Assembly Actions

Assembly Military & Veterans Affairs Committee:	8-0
Assembly Revenue & Taxation Committee:	7-0
Assembly Appropriations Committee:	15-0
Assembly Floor:	70-0

Support and Opposition (6/5/26)

Support: California State Board of Equalization
California Association of Realtors
California Baptist Capitol Ministry

Opposition: California Federation of Teachers
California Teachers Association

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