SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2022 (Jeff Gonzalez) - Property taxation: exemption: disabled veteran homeowners

Version: June 4, 2026
Policy Vote: REV. & TAX. 5 - 0, M.&V.A. 4 - 0
Urgency: No
Mandate: Yes
Hearing Date: August 3, 2026
Consultant: Robert Ingenito

Bill Summary: AB 2022 would enact a substitute disabled veterans' exemption, equal to either a full exemption for those currently qualifying for the "low-income" exemption, or 50 percent of the value for those currently qualifying for the "basic" exemption.

Fiscal Impact:

- The Board of Equalization (BOE) estimates that this bill would result in annual property tax revenue losses of $197 million. Reductions in local property tax revenues, in turn, can increase General Fund Proposition 98 spending by up to roughly 50 percent (the exact amount depends on the specific amount of the annual Proposition 98 guarantee, which in turns depends upon a variety of economic, demographic and budgetary factors). BOE would incur minor and absorbable administrative costs.

- By changing the manner in which assessors value real property, this bill creates a state-mandated local program. To the extent the Commission on State Mandates determines that the provisions of this bill create a new program or impose a higher level of service on local agencies, local agencies could claim reimbursement of those costs. The magnitude of these costs is unknown (General Fund).

Background: Under the California Constitution, all property is subject to taxation unless specifically exempted by the Constitution or federal law. Property taxes are generally limited to 1 percent of a property's assessed value, plus any voter-approved indebtedness. Pursuant to Proposition 13, real property is generally reassessed only upon a change in ownership or completion of new construction.

The Constitution authorizes the Legislature to provide a property tax exemption for the principal residence of certain disabled veterans. Eligible claimants include veterans who are totally disabled due to a service-connected injury, have lost two or more limbs, or are totally blind, as well as the unmarried surviving spouses of qualifying veterans whose deaths have been determined by the U.S. Department of Veterans Affairs (USDVA) to be service connected. To qualify, the veteran must have served in the United States Armed Forces and received a discharge under conditions other than dishonorable.

State law defines "totally disabled" primarily based on a USDVA or military determination that the veteran has a 100% service-connected disability rating or is deemed unemployable due to a service-connected disability. Statute also establishes specific eligibility criteria for blindness and the loss of multiple limbs.

Although commonly referred to as the disabled veterans' exemption, current law provides a partial, rather than full, exemption from property taxation. The exemption is available at two benefit levels based on household income, with both the income thresholds and exemption amounts adjusted annually for inflation using the California Consumer Price Index. For the 2026 lien date, the exemption equals $180,671 for eligible veterans with annual household income exceeding $81,131 and $271,009 for those with income at or below that threshold. For the 2027 lien date, BOE has increased these amounts to $185,889 and $278,836, respectively, with the applicable income threshold rising to $83,474.

Proposed Law: This bill would, among other things, enact 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 percent 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 would return to $185,889 (the exemption amount for 2027 under current law).

Related Legislation:

- SCA 4 (Archuleta) would amend the California Constitution to update and expand property tax benefits for veterans and disabled veterans, including allowing the Legislature to increase the veterans' and disabled veterans' property tax exemptions and permitting eligible taxpayers to receive the homeowners' exemption in addition to a veterans' or disabled veterans' exemption. The measure was held under submission on the Suspense File of this Committee.

- SB 296 (Archuleta) would have created a full property tax exemption for the principal residence of an eligible disabled veteran or qualifying unmarried surviving spouse. The bill was held under submission on the Suspense File of the Assembly Revenue and Taxation Committee.

- SB 23 (Valladares, 2025) would have created a full property tax exemption for the principal residence of an eligible disabled veteran or qualifying unmarried surviving spouse. The bill was held under submission on the Suspense File of the Assembly Revenue and Taxation Committee.

- SB 726 (Archuleta, 2023) would have increased the disabled veterans' property tax exemption amount and required the increased amount to be adjusted annually for inflation. The bill died in the Assembly Revenue and Taxation Committee.

Staff Comments: Based on BOE data, approximately 97,000 disabled veterans currently receive the disabled veterans' property tax exemption, representing roughly $16.6 billion in exempt assessed value statewide. Using available assessment data and reasonable assumptions regarding the distribution of qualifying properties, BOE staff estimates that the bill's expanded exemption would increase exempt assessed value by approximately $19.7 billion, resulting in an estimated annual property tax revenue loss of approximately $197 million.

Because statewide data are not available identifying the number of qualifying properties within the bill's proposed assessed value thresholds, the estimate relies on county-level averages and assumptions regarding the geographic distribution of disabled veteran homeowners. Consequently, the fiscal estimate should be viewed as an order-of-magnitude estimate rather than a precise projection.

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