

Date of Hearing: June 29, 2026

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION

Mike Gipson, Chair

SB 296 (Archuleta) – As Amended July 3, 2025

SUSPENSE

Majority vote. Tax levy. Fiscal committee.

SENATE VOTE: 38-0

SUBJECT: Property taxation: exemption: disabled veteran homeowners

SUMMARY: Suspends the current disabled veterans' basic and low-income exemptions and instead provides a full property tax exemption for the principal residence of a disabled veteran or the surviving unmarried spouse of a qualified veteran. Specifically, **this bill:**

- 1) Provides that in lieu of the property tax exemption in Revenue and Taxation Code (R&TC) Section 205.5, for property tax lien dates occurring on or after January 1, 2026, but before January 1, 2036, property shall be exempt from taxation if both of the following conditions are met:
 - a) The property is owned by and constitutes the principal place of residence of a veteran, the veteran's spouse, or the veteran and the veteran's spouse jointly; and,
 - b) The veteran is blind in both eyes, has lost the use of two or more limbs, or is totally disabled as a result of injury or disease incurred in military service.
- 2) Provides that property is considered the principal place of residence of a disabled veteran who is confined to a hospital or other care facility, if that property would be that veteran's principal place of residence were it not for their confinement, provided the residence is not rented or leased to a third party.
- 3) Provides that property that is owned by, and that constitutes the principal place of residence of, the unmarried surviving spouse of a deceased veteran is exempt from taxation in the same amount that the veteran or veteran's spouse would have been entitled to if the veteran had been alive, in the case of a veteran who was blind in both eyes, had lost the use of two or more limbs, or was totally disabled, provided that either of the following conditions is met:
 - a) The deceased veteran, during their lifetime, qualified for the exemption described above, or would have qualified for the exemption under the laws effective on January 1, 2024, except that the veteran died prior to January 1, 2024. The veteran must have been a resident of this state on January 1 of the year in which they died; or,

- b) The veteran died from an injury or disease that was service connected as determined by the United States Department of Veterans Affairs, and the veteran was a resident of this state on January 1 of the year in which they died.
- 4) Provides that property is considered the principal place of residence of an unmarried surviving spouse who is confined to a hospital or other care facility, if that property would be the unmarried surviving spouse's principal place of residence were it not for their confinement, provided the residence is not rented or leased to a person other than a member of the deceased veteran's family.
- 5) Provides that property is deemed to be the principal place of residence of the unmarried surviving spouse of a deceased veteran only if the property was the principal place of residence of the veteran when they died.
- 6) Defines the following terms in a manner consistent with the existing disabled veterans' exemption provided in R&TC Section 205.5:
 - a) "Blind in both eyes";
 - b) "Loss of the use of a limb";
 - c) "Totally disabled";
 - d) "Veteran"; and,
 - e) "Property that is owned by a veteran" or "property that is owned by the veteran's unmarried surviving spouse".
- 7) Provides that, to receive this exemption, the claimant must provide the county assessor documentation, including a letter from the United States Department of Veterans Affairs or the military service from which the veteran was discharged demonstrating the veteran's disability rating, sufficient to demonstrate the claimant's eligibility for the exemption.
- 8) Provides that an exemption granted to a claimant pursuant to this bill shall be in lieu of the veterans' exemption provided by subdivisions (o), (p), (q), and (r) of Section 3 of Article XIII of the California Constitution, R&TC Section 205.5, and any other real property tax exemption to which the claimant may be entitled. Any other real property tax exemption shall not be granted to any other person with respect to the same residence for which an exemption has been granted pursuant to this bill. However, if two or more veterans qualified pursuant to this bill co-own a property in which they reside, each is entitled to the exemption to the extent of their interest.
- 9) Provides that this bill's provisions shall remain in effect only until January 1, 2036, and are repealed as of that date.
- 10) Provides that it is the intent of the Legislature to apply the requirements of R&TC Section 41 with respect to the exemption.
- 11) Provides that the goal, purpose, and objective of the exemption is to reduce homelessness by providing a tax exemption to 100% disabled veteran homeowners.

- 12) Provides that, to assist the Legislature in determining whether the exemption fulfills the goal, purpose, and objective stated above, the State Board of Equalization (BOE) shall, to the extent data are available from county assessors, annually collect and report to the Legislature data from county assessors to quantify the amount of assessed value exempted and the number and type of taxpayers granted this exemption.
- 13) Provides that, by June 1, 2026, and every June 1 thereafter until June 1, 2035, the BOE shall report this information to the Legislature in accordance with Government Code Section 9795.
- 14) Provides that if the Commission on State Mandates determines that this bill contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to specified law.
- 15) Provides that, notwithstanding R&TC Section 2229, no appropriation is made by this bill and the state shall not reimburse any local agency for any property tax revenues lost by it pursuant to this bill.
- 16) Takes immediate effect as a tax levy.

EXISTING 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 home 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". (R&TC Section 205.5.)

FISCAL EFFECT: The BOE notes the following fiscal estimate for this bill:

Estimated potential local annual revenue loss of \$334 million. This is an increase of approximately \$192 million when compared to the current disabled veterans' basic and low-income exemption.

COMMENTS:

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

Veterans, like all Californians, are feeling the pressure of rising housing costs. SB 296 seeks to provide a helping hand to disabled veterans throughout the state by expanding the disabled veteran's exemption to allow a full property tax exemption for 100 percent

disabled veterans. There are several states that waive property taxes for 100% disabled veterans, including Florida, Texas, Virginia, New Mexico, and Hawaii. As we look to the future, we must continue to ensure that we utilize every tool at our discretion to help keep veterans in their homes and in California. This disabled veterans' exemption honors their bravery and commitment to our nation while also assisting for those who are struggling with the high cost of living in California.

- 2) This bill is supported by the County of Monterey, which notes the following:

Under existing law, in 2025, a disabled veteran or their unmarried surviving spouse may qualify for a "Basic Exemption" that provides an assessed value reduction of up to \$175,298 or a "Low-Income Exemption" with an assessed value reduction of up to \$262,950 if your household income is less than \$78,718 annually. SB 296 proposes to eliminate these assessed value reduction annual amounts, that are adjusted annually by the [BOE] based on changes in the Consumer Price Index, and instead simplify and streamline the process to provide a full 100% exemption from property taxes to the qualified 100% disabled veterans or their unmarried surviving spouses only for their principal residence.

- 3) The BOE staff analysis of this bill notes the following:

- a) *"This bill fully exempts the homes of disabled veterans from property tax:* The California Constitution provides that the Legislature may exempt these homes in whole or in part. This bill proposes to modify the current exemption to a full exemption of the assessed value of the property for disabled veteran claimants."
- b) *"Filing requirements:* Currently, a one-time filing is required for the basic exemption; however, an annual filing is required for the low-income exemption to ensure the claimant continues to meet the household income limit restriction. Because this bill eliminates the income-based exemption, staff assumes that a one-time filing will be required where the disabled veteran provides all the pertinent mandatory documentation as required."
- c) *"Annual notice:* [R&TC Section] 278 requires assessors to annually mail a notice to all claimants receiving the disabled veterans' exemption informing them of the requirements that must be met in order to be eligible for the exemption; the penalties if the taxpayer allows the exemption to continue when he or she is not eligible for the exemption; and his or her duty to inform the assessor when he or she is no longer eligible for the exemption. Under this bill, it is assumed that assessors will still be required to annually send this notice."
- d) *"The state does not reimburse local governments for the property tax revenue loss from the Disabled Veterans' Exemption:* By contrast, the state fully reimburses local governments for the homeowners' exemption."
- e) *"How many persons claim the disabled veterans' exemptions?* For 2024-25, 85,920 exemptions were granted to eligible claimants: 79,851 basic exemptions and 6,069 low-income exemptions. This is the disabled veteran population that meets the requirements and criteria set by SB 296. The revenue analysis [. . .] is based on the 85,920 population."

- f) *"Top 10 counties:* For 2025, the counties with the most disabled veterans' exemptions in descending order include: (1) San Diego: 17,778; (2) Riverside: 12,394; (3) San Bernardino: 5,897; (4) Los Angeles: 5,634; (5) Sacramento: 4,133; (6) Solano: 3,705; (7) Orange: 3,260; (8) Kern: 2,399; (9) Ventura: 2,174; (10) Contra Costa: 2,053."
- g) *"Unmarried spouse:* Under current law, the unmarried spouse can keep the full exemption after the disabled veteran dies. Under the proposed section 205.5.1(b)(1)(A), the veteran *must have been a resident of this state* on January 1 of the year in which they died. Currently, the unmarried surviving spouse will qualify as long as the deceased veteran is *qualified during their lifetime*. Additionally, for a property to be deemed the principal place of residence for an unmarried surviving spouse in a care facility, section (2)(B) adds an additional condition that the property is deemed to be the principal place of residence *only* if it was the principal place [of] residence of the veteran when they died. This qualification is not a condition of the current disabled veteran's exemption and will limit the exclusion for the unmarried surviving spouse in a care facility if the deceased veteran never lived there."

4) Committee Staff Comments:

- a) *Overview of existing law:* Under current law, property that constitutes the principal place of residence of a qualifying disabled veteran receives a \$100,000 property tax exemption (called the "basic exemption"). If the claimant's household income does not exceed \$40,000, this amount is increased to \$150,000 (referred to as the "low-income exemption"). The law also requires an inflation factor be applied to these amounts annually. As such, the BOE notes that, for the 2024-25 fiscal year, claimants with household incomes below \$76,235 are entitled to an exemption of \$254,656. For all other eligible claimants, the exemption amount is \$169,769.
- b) *What would this bill do?* This bill would suspend the current disabled veterans' basic and low-income exemptions and instead would provide a full property tax exemption on the principal residence of a disabled veteran or the surviving unmarried spouse of a qualified veteran. The exemption would apply to lien dates occurring on or after January 1, 2026 and before January 1, 2036.
- c) *Action taken in the budget:* On June 27, 2025, Governor Newsom signed into law SB 132 (Committee on Budget and Fiscal Review), Chapter 17, Statutes of 2025. Among its many provisions, SB 132 conferred significant tax relief to California's veterans. Specifically, SB 132 excludes from gross income up to \$20,000 in retirement pay received by qualifying taxpayers for service performed in the uniformed services, as specified.
- d) *Is the relief appropriately targeted?* This bill appears to be motivated by an inherently laudable desire to recognize the sacrifices made by California's disabled veterans. At the same time, however, this bill notes that the exemption's goal is to reduce homelessness by providing a tax exemption to 100% disabled veteran homeowners. As noted above, current law already provides a \$254,656 exemption for low-income disabled veterans, who may be struggling to make ends meet. Rather than increasing the exemption for low-income veterans, this bill takes a different approach by providing a complete and total exemption for all disabled veterans, irrespective of their income or the value of their

homes. The Committee may wish to consider whether this is the most targeted means of actually addressing the crisis of veteran homelessness.

e) *Related legislation:*

i) SB 56 (Seyarto) would exclude service-connected disability payments from the definition of "household income" for purposes of the disabled veterans' exemption. SB 56 is set to be heard by this Committee along with this bill.

ii) ACA 5 (Schiavo) would, among other things, allow a dwelling that receives the veterans' exemption or the disabled veterans' exemption to also receive the homeowners' exemption. ACA 5 has not been referred by the Committee on Rules.

f) *Double referral:* This bill was double referred with the Assembly Committee on Military and Veterans Affairs, which passed this bill out by a vote of 8 to 0 on July 1, 2025. For additional discussion of this bill's provisions, please see the analysis prepared by the Assembly Committee on Military and Veterans Affairs.

REGISTERED SUPPORT / OPPOSITION:

Support

California Assessors' Association
California Association of Realtors
Orange County

Opposition

None on file

Analysis Prepared by: M. David Ruff / REV. & TAX. / (916) 319-2098