Office of Senate Floor Analyses
(916) 651-4171

UNFINISHED BUSINESS

Bill No: SB 296
Author: Archuleta (D), Schiavo (D) and Valladares (R), et al.
Amended: 8/13/26
Vote: 21

SENATE REVENUE AND TAXATION COMMITTEE: 5-0, 3/26/25
AYES: McNerney, Valladares, Ashby, Grayson, Umberg

SENATE MILITARY & VETERANS COMMITTEE: 4-0, 4/28/25
AYES: Archuleta, McNerney, Menjivar, Umberg
NO VOTE RECORDED: Grove

SENATE APPROPRIATIONS COMMITTEE: 6-0, 5/23/25
AYES: Caballero, Seyarto, Cabaldon, Grayson, Richardson, Wahab
NO VOTE RECORDED: Dahle

SENATE FLOOR: 38-0, 5/29/25
AYES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
NO VOTE RECORDED: Limón, Reyes

ASSEMBLY FLOOR: 78-0, 8/19/26 - See last page for vote

SUBJECT: Property taxation: exemption: disabled veteran homeowners

SOURCE: Author

DIGEST: This bill replaces the existing disabled veterans' property tax exemption with an expanded exemption for a five-year period.

Assembly Amendments (1) Instead of allowing a full exemption for all disabled veterans as approved by the Senate, provide a 50% exemption on the first $1 million in value for those disabled veterans qualifying for the basic exemption, and provide a full exemption on the first $1 million in value for those disabled veterans qualifying for the "low-income" exemption; (2) Adjust the $1 million in value for inflation annually; (3) Modify the operative period of the expanded exemption from the January 1, 2026, to January 1, 2036, period, to the January 1, 2027, to January 1, 2032, period; (4) Maintain eligibility for the current exemption for any disabled veteran taxpayer for whom it provides a greater exemption amount than the one provided by this bill; (5) Apply its provisions to unmarried surviving spouses; (6) Make conforming changes to legislative findings and declarations to comply with Section 41 of the Revenue & Taxation Code; and (7) Remove duplicative definitional language.

ANALYSIS:

Existing law:

1) Provides that all property is taxable unless explicitly exempted by the Constitution or federal law (California Constitution, Article XIII, Section One).

2) Limits the maximum amount of any *ad valorem* tax on real property at 1% of full cash value, plus any locally-authorized bonded indebtedness, and caps a property's annual inflationary increase in taxable value to 2%. Provides that assessors reappraise property whenever it is purchased, newly constructed, or when ownership changes (California Constitution, Article XIIIA, as added by Proposition 13, 1978).

3) 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, so long as the taxpayer has served in the United States Army, Navy, Air Force, Marine Corps, and been discharged under conditions other than dishonorable (California Constitution, Article XIII, Section Four). Statute additionally allows those who served in the Space Force and Coast Guard under similar conditions as well.

4) Makes the exemption 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.

5) Provides that the exemption applies instead of other real property exemptions, like the homeowners' exemption.

6) Defines "totally disabled" to mean that 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 percent by reason of being unable to secure or follow a substantially gainful occupation.

7) Contains specific definitions for blindness and the loss of two or more limbs.

8) Does not fully exclude the value of a disabled veteran's property, instead enacting a partial exemption of $100,000 for disabled veteran taxpayers with annual household income of more than $40,000, or $150,000 for income lower than that amount, with each threshold 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 exemption for 2026 is $180,671 for disabled veterans with income above $81,131, and $271,009 for those with income below $81,131.

This bill:

1) 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, that applies on the first $1 million in value. Under this bill's exemption:

   a) Disabled veterans eligible for the current "low-income exemption" (those with income below $83,474 in 2027) are instead exempt from property tax on the first $1 million in value on their principal residence.

   b) Those disabled veterans eligible for the basic exemption are instead exempt on 50% of the first $1 million in value on their principal residence 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).

2) Incorporates nearly identical provisions from the current disabled veterans' exemption to guide implementation, including definitions, qualification criteria, application of its revised exemption amounts to qualified unmarried surviving spouses continuing to occupy the disabled veteran's residence, among other provisions.

3) Makes legislative findings and declarations to comply with Section 41 of the Revenue & Taxation Code.

Background

According to the Board of Equalization (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. According to 2024-25 BOE data, 79,851 disabled veterans received the basic exemption, amounting to an estimated $12.8 billion in basic exempt value, and 6,069 disabled veterans received the low-income exemption, amounting to an estimated $1.4 billion in low-income exempt value.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Assembly Appropriations Committee:

- Annual property tax revenue loss in the tens of millions of dollars by expanding the disabled veterans' exemption. Although property tax is a local government revenue source and this bill prohibits the state from reimbursing local agencies for lost property tax revenues, reductions in property tax revenues, in turn, increase General Fund (GF) Proposition 98 spending (the exact amount depends on the operative test of the annual Proposition 98 guarantee).

- Costs of approximately $8,000 in fiscal year 2026-27 and $3,000 annually thereafter to BOE to update related guidance and materials and report specified data to the Legislature (GF).

- Expanding the disabled veteran's exemption also requires a county assessor to update claims forms and informational materials. Additionally, this bill's annual reporting requirement relies on information provided by county assessors to BOE. By adding to the duties of a county assessor in administering the exemption, this bill likely creates a state-mandated local program. If the Commission on State Mandates determines the provisions of this bill create a new program or impose a higher level of service for which the state must reimburse local costs, the county may seek reimbursement from the state (GF). The magnitude of such costs is unknown.

SUPPORT: (Verified 8/19/26)

AMVETS, Department of California
Antelope Valley Economic Development & Growth Enterprise

California Assessors' Association
California Association of County Veterans Service Officers
California Association of Realtors
California State Board of Equalization
California State Commanders Veterans Council
California State Retirees
County of Monterey
County of Orange
Howard Jarvis Taxpayers Association
Military Officers Association of America, California Council of Chapters
Ventura County Chapter of the Military Officers Association of America
Veterans of Foreign Wars, Department of California

Four Individuals

OPPOSITION: (Verified 8/19/26)

None received

ARGUMENTS IN SUPPORT: According to the author, "veterans, like all Californians, are feeling the pressure of rising housing costs. SB 296 seeks to provide a helping hand to 100 percent disabled veterans throughout the state by expanding the disabled veteran's exemption to allow a 50% property tax exemption covering the first million dollars of their home's value. 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."

ASSEMBLY FLOOR: 78-0, 8/19/26
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Sanchez,

Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NO VOTE RECORDED: Blanca Rubio

Prepared by: Colin Grinnell / REV. & TAX. / (916) 651-4117
8/21/26 13:54:55

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