
SENATE COMMITTEE ON REVENUE AND TAXATION

Senator Jerry McNerney, Chair
2025 - 2026 Regular

Bill No: SB 623
Author: Archuleta
Version: 2/20/25
Consultant: Grinnell

Hearing Date: 1/14/26
Tax Levy: Yes
Fiscal: Yes

PROPERTY TAXATION: HOMEOWNERS', VETERANS', AND DISABLED VETERANS' EXEMPTIONS

Amends the homeowners' property tax exemption to allow a property that receives the homeowners' exemption to also receive the disabled veterans' or veterans' exemption.

Background

The California Constitution provides that all property is taxable unless explicitly exempted by the Constitution or federal law. However, Section Three of Article XIII sets forth several property tax exemptions, including:

The Homeowners' Exemption. The Constitution authorizes a taxpayer to claim a \$7,000 exemption to the taxable value of a property when the home is the principal place of residence of the owner on January 1st of the year the exemption is claimed. The homeowners' exemption may not be claimed if the taxpayer claims another exemption. State law also precludes taxpayers from claiming the homeowners' exemption for property that is rented, vacant, under construction on the lien date, or that is a vacation or secondary home. The property must be the taxpayer's true, fixed, and permanent home, and principal establishment to which they intend to return if absent. Once granted, the exemption continues until the taxpayer notifies the assessor or ownership changes. The Constitution allows the Legislature to increase the exemption; however, they must increase subventions to local agencies backfilling any revenue loss and provide an increase in benefits to qualified renters. Unlike other exemptions, Section 25 of Article XIII requires the state to backfill local property tax revenue losses resulting from the exemption.

Veterans' Exemption. The Constitution contains an exemption for veterans, which the Constitution defines as someone who *is* serving in, or has served and been discharged under honorable conditions *from* service in, the United States Army, Navy, Air Force, Marine Corps, Coast Guard, or Revenue Marine (Revenue Cutter) Service; and served in any of the following:

- in time of war,
- in time of peace in a campaign or expedition for which a medal has been issued to the veteran by Congress, or
- in time of peace and because of a service-connected disability was released from active duty.

There are 26 wars and 4 campaigns that qualify for the Veterans' Exemptions in statute. The majority of the wars and campaigns listed occurred over 100 years ago, dating back to the Revolutionary War. The exemption reduces taxable value by \$1,000 (adjusted to \$4,000 in

statute) for a person qualifying under the above criteria, or their unmarried surviving spouse or parent in the case of a deceased veteran meeting the service requirements.

The Constitution only allows the exemption for veterans who own property, real or personal, worth less in aggregate than \$5,000 if the claimant is single, or \$10,000 if married. According to the State Board of Equalization (BOE), at its peak, from 1956 through 1962, over one million persons received the veterans' exemption. However, the constitutional restrictions for the exemption have rendered it obsolete, so much so that no one currently claims it according to the BOE. This exemption has also fallen into disuse because at only \$4,000, any veteran who owns a home can instead claim the homeowners' exemption of \$7,000, which provides greater tax savings.

Disabled Veterans' Exemption. Additionally, Section Four of Article XIII 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 determination that the spouse's death was service connected. The exemption applies instead of other real property exemptions, like the homeowners' exemption.

The disabled veterans' exemption 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 \$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 exemption for 2025 is \$175,298 for disabled veterans with income above \$78,718 and \$262,950 for those with income below \$78,718.

Seeking to provide additional property tax relief for disabled veterans, the author wants to remove the restriction on taxpayers claiming the homeowners' exemption from also claiming the disabled veterans' and veterans' exemptions.

Proposed Law

Senate Bill 623 amends the homeowners' exemption from property tax to remove the prohibition against a property that receives the homeowners' exemption from also receiving the disabled veterans' or veterans' exemptions. The measure only takes effect if voters approve an unspecified Senate Constitutional Amendment. The measure also makes conforming changes.

State Revenue Impact

According to BOE, "Granting disabled veterans the homeowners' exemption would result in an estimated annual revenue loss of \$4.7 million (1% property tax rate × \$474 million exemption value) to local governments."

Comments

1. Purpose of the bill. According to the author, “Veterans have made significant sacrifices in service to our country. They have put their lives on the line, spent time away from their families, and faced numerous physical and mental challenges in their pursuit of safety and security for our Country. And yet despite all of this, many veterans continue to face difficulties as they transition back to civilian life. One of the biggest challenges veterans face is the financial burden of owning a home. For many veterans, owning a home can be a difficult dream to achieve and maintain. Many veterans struggle to make ends meet despite their service, especially if they are on a fixed income or facing other financial challenges. In California, the current veterans’ exemption provides veterans and their families with a \$4,000 reduction in the taxable value of their property to help ease the financial burden of owning a home. This lifeline can be especially important for veterans who are facing other challenges such as medical bills or disabilities as a result of their service. Unfortunately, the amount of the current veteran exemption has remained the same since its creation, along with limitations on the maximum eligible value of a property owned by a veteran. Furthermore, because the homeowners’ exemption is nearly twice the amount of the veteran exemption at \$7,000, most California veteran homeowners choose the homeowners’ exemption, leaving the veterans’ exemption underutilized. SCA 4 and SB 623 seek to allow a veteran property owner who qualifies for the veterans’ exemption or the disabled veterans’ exemption to also receive the homeowners’ exemption. These measures will provide much needed tax relief for veterans and their families. In California, we have a proud tradition of supporting our veterans. We recognize the sacrifices that they have made and we are committed to providing them with the support they need to succeed and stay here in California after their service. SCA 4 and SB 623 exemplifies that commitment and is a way for California to show that we value our veterans and their contributions to our great state.”

2. Who’s eligible? Should the Legislature enact and voters approve SCA 4, SB 623 would directly benefit disabled veterans by allowing them to potentially stack up to three exemptions (disabled veterans’, veterans’, and homeowners’) instead of one.

3. Togetherness. SB 623 amends the homeowners’ exemption in state law to implement the SCA 4 (Archuleta) constitutional change to allow disabled veterans to stack the homeowners’, veterans’, and disabled veterans’ exemptions. However, it does not increase the amount of the veterans’ exemption, which SCA 4 would also allow; the Legislature would have to enact a subsequent statute to do so. The Committee will also consider SCA 4 at its January 14, 2024, hearing.

4. Technical. SB 623 currently states that its provisions only take effect if voters approve an unspecified constitutional amendment. The Committee may wish to consider amending SB 623 to specify SCA 4.

5. Related legislation. SB 623 is largely identical to SB 871 (Archuleta, 2023). The Senate approved that measure, but it did not advance from the Assembly Revenue & Taxation Committee.

6. Mandate. The California Constitution requires the state to reimburse local governments for the costs of new or expanded state-mandated local programs. Because SB 623 expands eligibility for the homeowners’ exemption, Legislative Counsel states that it imposes a new state mandate. The measure states that should the Commission on State Mandates determine that the bill imposes a reimbursable mandate, reimbursement must be made pursuant to existing statutory provisions. Additionally, the bill provides that the state shall not reimburse local agencies for any property tax revenue losses resulting from its expanded welfare exemption.

7. Double-referred. The Senate Rules Committee ordered a double referral of SB 623. First, to the Committee on Revenue & Taxation, and second to the Committee on Military & Veterans Affairs.

Support and Opposition (1/8/26)

Support: California Senior Legislature
California State Board of Equalization
County of Orange
County of San Diego
Howard Jarvis Taxpayers Association

Opposition: None received.

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