
SENATE COMMITTEE ON MILITARY AND VETERANS AFFAIRS

Senator Bob Archuleta, Chair

2025 - 2026 Regular

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| Bill No: | SB 888 | Hearing Date: | 4/20/26 |
| Author: | Seyarto | | |
| Version: | 3/26/26 | | |
| Urgency: | No | Fiscal: | Yes |
| Consultant: | Diego Nelson | | |

Subject: Property taxation: disabled veterans' exemption: household income

DESCRIPTION

Summary:

This bill excludes service-connected disability compensation from “household income” for purposes of determining eligibility for the disabled veterans’ property tax exemption.

Existing law:

- 1) The California Constitution authorizes the Legislature to exempt, in whole or in part, the value of the principal place of residence of a disabled veteran, or the unmarried surviving spouse of a deceased disabled veteran, from property taxation, if specified eligibility requirements are met. Eligible veterans include those who, as a result of military service, are blind in both eyes, have lost the use of two or more limbs, or are totally disabled. (Cal. Const., art. XIII, § 4, subd. (a); Rev. & Tax. Code § 205.5.)
- 2) Implements the disabled veterans’ property tax exemption in statute and provides two exemption levels: a basic exemption and a higher exemption for claimants whose household income does not exceed a specified threshold, with both amounts adjusted annually for inflation. For the 2025 assessment year, the inflation-adjusted exemption amounts are \$180,671 for qualifying claimants above the income threshold and \$271,009 for claimants whose household income does not exceed \$81,131. (Rev. & Tax. Code § 205.5; Rev. & Tax. Code § 205.5.5.)
- 3) Requires a claimant seeking the higher exemption amount to file an annual certification that household income does not exceed the applicable limit. Eligibility for the higher exemption is based on income from the prior calendar year. (Rev. & Tax. Code § 205.5.5.)
- 4) Provides that a claimant receiving the disabled veterans’ exemption may not also receive another real property tax exemption on the same residence, including the homeowners’ exemption. (Rev. & Tax. Code, § 205.5, subd. (g); Cal. Const., art. XIII, § 4, subd. (a).)

This bill:

- 1) Excludes service-connected disability payments from “household income” for purposes of determining eligibility for the disabled veterans’ property tax exemption.
- 2) Makes that exclusion operative only until January 1, 2037.
- 3) Requires the State Board of Equalization to track claims and, by January 1, 2036, submit to the Legislature and publish on its website a comparison of the number of claims under the section for each taxable year from 2025 to 2034.

- 4) Declares the bill a tax levy and states that the act does not appropriate reimbursement for local property tax revenue losses.

BACKGROUND

California's disabled veterans' property tax exemption has long been structured as a two-tier benefit for the principal residence of a qualifying veteran or, in some cases, an unmarried surviving spouse. Under Revenue and Taxation Code section 205.5, a claimant may receive the standard exemption or a larger exemption if household income falls below a specified threshold, with both amounts adjusted annually for inflation. For the 2026 assessment year, the exemption amounts are \$180,671 and \$271,009, and the income limit for the higher exemption is \$81,131.

VA disability compensation is a federal monthly benefit paid because of service-connected disability and, in some cases, unemployability; it is not earned income in the ordinary sense. As of December 1, 2025, a veteran rated 100 percent disabled receives \$3,938.58 per month before any additional amounts for dependents or certain special circumstances. Even so, under current law that compensation is counted in household income when determining whether a claimant qualifies for the larger low-income exemption. As a result, a veteran may satisfy the underlying disability standard for the exemption while still being pushed above the income threshold for the higher benefit because of payments that are themselves tied to the service-connected disability.

In recent years, the Legislature has revisited Revenue and Taxation Code section 205.5 several times, addressing issues mostly on access, documentation, and administration rather than on the income definition itself. In 2023, AB 1361 (Hoover) authorized county assessors to issue preliminary written or electronic determinations of eligibility, allowing disabled veterans to claim the exemption earlier in the homebuying process. Also in 2023, SB 82 (Seyarto) required assessors to accept electronically generated VA disability letters in lieu of original letters, standardizing an important part of the verification process. Those bills were aimed at making the exemption easier to claim and administer. By contrast, this bill focuses on a different feature of the statute: whether service-connected disability payments should be included in household income when determining eligibility for the higher exemption.

COMMENT

According to the author: "SB 888 seeks to remove the counterproductive inclusion of disability compensation from the calculation of the low-income exclusion of the disabled veterans' property tax exemption, as veterans must receive that compensation in order to qualify for the tax exemption in the first place. Families surviving on only social security and disability pay should qualify for the low-income exclusion".

The bill would revise the household income calculation used to determine eligibility for the larger low-income disabled veterans' property tax exemption by excluding VA service-connected disability compensation. It addresses the current situation in which disability compensation paid because of a service-connected condition may be counted as income in a way that disqualifies some otherwise eligible claimants from receiving the higher level of relief. By removing that compensation from the income calculation, the bill seeks to ensure that benefits tied to a veteran's service-connected disability do not reduce access to the enhanced exemption.

This measure follows a broader policy approach of treating service-connected disability compensation differently from ordinary income when calculating eligibility for certain benefits. Because those payments are tied to disability resulting from military service, rather than to present employment or wages. For severely disabled veterans whose household resources consist largely of fixed federal benefits, this change could make a practical difference by expanding access to the higher exemption and helping reduce housing costs.

The measure, however, would also have fiscal and administrative consequences. According to the Board of Equalization, it would increase the annual property tax revenue loss associated with the disabled veterans' exemption from about \$166 million under current law to about \$214 million, or roughly \$48 million more each year. County assessors may also face some added workload in reviewing exemption claims and household income certifications under the revised standard. In addition, the California Teachers Association argues that the resulting revenue loss could place added pressure on the state's Proposition 98 funding obligations for public schools.

Prior Legislation

SB 56 (Seyarto, 2025), which passed the Senate unanimously but was later held on the Assembly Revenue and Taxation Committee Suspense File.

POSITIONS

Sponsor: Author.

Support: California State Retirees
Los Angeles County Assessor Jeffrey Prang
County of Orange
Peace Officers Research Association of California

Oppose: California Teachers Association

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