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THIRD READING

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Bill No: SB 888  
Author: Seyarto (R), et al.  
Amended: 3/26/26  
Vote: 21- Urgency

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SENATE REVENUE AND TAXATION COMMITTEE: 5-0, 3/25/26  
AYES: McNerney, Alvarado-Gil, Ashby, Becker, Grayson

SENATE MILITARY & VETERANS COMMITTEE: 4-0, 4/20/26  
AYES: Archuleta, Grove, McNerney, Umberg  
NO VOTE RECORDED: Menjivar

SENATE APPROPRIATIONS COMMITTEE: 7-0, 5/14/26  
AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

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**SUBJECT:** Property taxation: disabled veterans' exemption: household income

**SOURCE:** Author

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**DIGEST:** This bill excludes service-connected disability payments from the definition of "household income," for purposes of determining whether the low-income disabled veterans' exemption from property tax applies.

**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 XIII A, 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, or Marine Corps, and been discharged under conditions other than dishonorable (California Constitution, Article XIII, Section Four).
- 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% 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 \$78,718.

This bill:

- 1) Provides that "household income" does not include service-connected disability payments when determining whether the low-income disabled veterans' exemption applies.
- 2) Sunsets its provisions after January 1, 2037, and reinstates current law as of that date.

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

## **Background**

Taxpayers claiming the exemption for the first time file Board of Equalization (BOE) form 261-G, Claim for Disabled Veterans' Property Tax Exemption. After the initial claim has been filed, taxpayers must make an additional annual filing between January 1 and February 15 to certify that the claimant's household income continues to meet the income limit restriction. Income from the prior calendar year determines eligibility for the year in which they claim the exemption.

While not specified in statute, the BOE and Assessors have generally applied the definition of "household income" used for the Senior Citizens and Disabled Citizens Property Tax Postponement Program ever since the Legislature allowed a greater exemption (\$15,000 at the time) for disabled veterans with lower income. Under the definition, the following items must be included in income:

- Wages, salaries, tips, and other employee compensation.
- Social Security, including the amount deducted for Medicare premiums.
- Railroad retirement.
- Interest and dividends.
- Pensions, annuities and disability retirement payments.
- Supplemental Security Income/State Supplemental Plan.
- Aid to the Blind and Totally Disabled.
- Aid to Families with Dependent Children.
- Aid to the Potentially Self-Supporting Blind.
- Rental income (or loss).
- Net income (or loss) from a business.
- Income (or loss) from the sale of capital assets.
- Life insurance proceeds that exceed expenses.
- Veterans' benefits received from the Veterans Administration.
- Gifts and inheritances over \$300, except between members of the household.
- Unemployment insurance benefits.
- Workers compensation for temporary disability (not for permanent disability).
- Amounts contributed on behalf of the claimant to a tax sheltered or deferred compensation plan.
- Sick leave payments.

- Nontaxable gain from the sale of a residence.
- Income received by all other household members while they lived in the claimant's home during the last calendar year; does not include income received by a minor, student, or renter.

The Board of Equalization's (BOE's) Assessor's Handbook also provides that Assessors may wish to use a "Household Income Worksheet" to aid claimants in identifying the sources of income that must be included, and may request the worksheet be attached to the claim form. The Assessor can request additional information or documents to support the income reported on this worksheet (for example, the first page of IRS Form 1040, a veterans' benefit statement, or a social security statement).

According to 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. BOE estimates that SB 56 would allow 59,888 more disabled veterans to qualify for the low-income exemption by excluding service-connected disability payments.

### **Related/Prior Legislation**

This bill is functionally identical to SB 56 (Seyarto, 2025). The Senate approved the measure unanimously, but the bill was held on the Assembly Revenue & Taxation Committee's Suspense File.

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

According to the Senate Appropriations Committee:

- The Board of Equalization (BOE) indicates that this bill would reduce annual property tax revenues by \$48 million. Reductions in local property tax revenues, in turn, can increase General Fund Proposition 98 spending by

up to roughly 50% (the exact amount depends on the specific amount of the annual Proposition 98 guarantee, which in turn depends upon a variety of economic, demographic and budgetary factors). BOE's administrative costs would be minor and absorbable.

- By changing the duties of local tax officials, 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 is unknown (General Fund).

**SUPPORT:** (Verified 5/16/24)

Jeffrey Prang, Los Angeles County Assessor  
American Legion, Department of California  
AMVETS, Department of California  
California State Commanders Veterans Council  
California State Retirees  
County of Orange  
Military Officers Association of America, California Council of Chapters  
Peace Officers Research Association of California  
Vietnam Veterans of America, California State Council

**OPPOSITION:** (Verified 5/16/24)

California Federation of Teachers  
California Teachers Association

**ARGUMENTS IN SUPPORT:** 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."

**ARGUMENTS IN OPPOSITION:** According to the California Teachers Association, "CTA believes adequate funding for public education is a necessity. CTA opposes any reduction in revenue to the State's General Fund which would reduce Proposition 98 funding. CTA believes the Proposition 98 funding guarantee is the minimum, not the maximum, level. Appropriation above the Proposition 98 funding will be similarly guaranteed and ongoing in subsequent budget years. Existing law exempts a portion of the value of a property owned by a disabled veteran from taxation if the household income does not exceed \$40,000.

Reducing local revenue to schools from sources such as property taxes increases reliance on state funding and would require the state to make up for the negative impact from lost property tax revenue as part of the Prop 98 guarantee without any additional state revenue. Reducing local revenues negatively impacts the state's ability to fund California's public school in the top quartile of the fifty states."

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5/16/26 9:42:31

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