

Date of Hearing: June 16, 2026

ASSEMBLY COMMITTEE ON MILITARY AND VETERANS AFFAIRS

Pilar Schiavo, Chair

SB 888 (Seyarto) – As Amended March 26, 2026

**SENATE VOTE:** 33-0

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

**SUMMARY:** Excludes service-connected disability income as household income when determining if the low-income veterans' property tax exemption applies. Makes conforming changes, makes legislative findings and declarations, and adds reporting requirements to the State Board of Equalization (BOE). Repeals the provisions of this bill on January 1, 2037.

**EXISTING LAW:**

- 1) Provides that all property is taxable unless explicitly exempted by the California Constitution or federal law. (California Constitution, Article XIII, Section 1)
- 2) Allows the Legislature to exempt from property taxation in whole or in part the home of a veteran or veteran's spouse if the veteran, because of injury incurred in military service, is blind in both eyes, has lost the use of two or more limbs, or is totally disabled, or if the veteran has, as a result of a service-connected injury or disease, died while on active duty in military service, unless the home is receiving another real property exemption. (California Constitution, Article XIII, Section 4, Subdivision (a))
- 3) Exempts from property taxes the principal place of residence of a veteran, that is owned by the veteran, the veteran's spouse, or the veteran and the veteran's spouse jointly, if the veteran is disabled as a result of injury or disease incurred in military service, or if the veteran has, as a result of a service-connected injury or disease, died while on active duty in military service. The property tax exemption is on that part of the full value of the residence that does not exceed \$100,000, or \$150,000 if the household income of the claimant does not exceed \$40,000, as adjusted for inflation, as specified. (Revenue & Taxation Code (RTC) § 205.5)
- 4) Requires the taxpayer to have served in the United States Army, Navy, Air Force, Marine Corps, Space Force, or Coast Guard, and been discharged under conditions other than dishonorable to claim the exemption. (RTC § 205.5)
- 5) Requires that anyone claiming the disabled veterans' exemption file a claim with the County Assessor. (RTC § 227)
- 6) Requires the state to reimburse local agencies annually for certain property tax revenues lost as a result of any exemption or classification of property for purposes of ad valorem property taxation. (RTC § 2229)

**FISCAL EFFECT:** According to the Senate Appropriations Committee:

- 1) The 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.

- 2) 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).

## COMMENTS:

- 1) **PURPOSE OF THIS BILL.** According to the author, this bill “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.”

- 2) **BACKGROUND.**

- a) **Disabled veteran’s exemption.** The California Constitution provides that all property is taxable unless explicitly exempted by the Constitution or federal law. The Constitution limits the maximum amount of any ad valorem tax on real property at 1% of full cash value, plus any locally authorized bonded indebtedness. Assessors reappraise property whenever it is purchased, newly constructed, or when ownership changes.

The California Constitution 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 (VA) determination that the spouse’s death was service-connected.

Current law defines “totally disabled” to mean that either the VA or the military service from which the veteran was discharged has rated the disability at 100%, or has rated the disability compensation at 100% because of being unable to secure or follow a substantially gainful occupation. State law also contains specific definitions for blindness and the loss of two or more limbs.

State law implementing the exemption doesn’t entirely 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 2025 is \$175,298 for disabled veterans with income above \$78,718, and \$262,950 for those with income below \$78,718.

The California Constitution contains a provision that a taxpayer claiming the homeowners' exemption cannot also claim the disabled veterans' or veterans' exemption.

Taxpayers claiming the exemption for the first time file 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 (AB 955 (Mangers), Chapter 1276, Statutes of 1978). Under the definition, the following items must be included in income:

- i) Wages, salaries, tips, and other employee compensation.
- ii) Social Security, including the amount deducted for Medicare premiums.
- iii) Railroad retirement.
- iv) Interest and dividends.
- v) Pensions, annuities, and disability retirement payments.
- vi) Supplemental Security Income/State Supplemental Plan.
- vii) Aid to the Blind and Totally Disabled.
- viii) Aid to Families with Dependent Children.
- ix) Aid to the Potentially Self-Supporting Blind.
- x) Rental income (or loss).
- xi) Net income (or loss) from a business.
- xii) Income (or loss) from the sale of capital assets.
- xiii) Life insurance proceeds that exceed expenses.
- xiv) Veterans' benefits received from the VA.
- xv) Gifts and inheritances over \$300, except between members of the household.
- xvi) Unemployment insurance benefits.
- xvii) Workers compensation for temporary disability (not for permanent disability).
- xviii) Amounts contributed on behalf of the claimant to a tax sheltered or deferred compensation plan.
- xix) Sick leave payments.
- xx) Nontaxable gain from the sale of a residence.
- xxi) 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 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).

Arguing that counting service-connected disability payments towards income for purposes of determining eligibility for the low-income exemption is unduly burdensome to disabled veterans, the author wants to exclude such payments from income for the purpose of this low-income property tax exemption.

- b) Advancing trend.** This bill advances a recent trend in federal and state housing policy. Last August, the United States Department of Housing and Urban Development (HUD) adopted an alternative definition of annual income for applicants and participants in the HUD-VA Supportive Housing program, which excludes veterans' service-connected disability benefits when determining eligibility. In Revenue Proclamation 24-36, the Internal Revenue Service implemented the change for purposes of the federal Low-Income Housing Tax Credit (LIHTC), which the California Tax Credit Allocation Commission subsequently applied for purposes of the state LIHTC. Furthermore, the Legislature enacted AB 535 (Schiavo), Chapter 918, Statutes of 2024, last year, which made a similar change to the state's Veterans Housing and Homeless Prevention Act.
- 3) SUPPORT.** This bill is supported by veteran organizations, the BOE, the Peace Officers Research Association of California, and Orange County, among others. The American Legion-Department of California, AMVETS-Department of California, California State Commanders Veterans Council, Military Officers Association of America-California Council of Chapters, and the Vietnam Veterans of America-California State Council all write in support of this bill and state that under current law, many 100% service-connected disabled veterans are disqualified from the low-income exemption because their VA disability compensation is counted as income. This is both counterproductive and inequitable. These benefits are awarded precisely because of the veteran's sacrifice and disability—and yet they count against the very exemption designed to support them. The California Association of County Veterans Service Officers, also in support, argues that this bill will ensure that service-connected disability compensation is excluded from household income calculations under the Disabled Veterans' Property Tax Exemption to correct this inequity by ensuring that veterans who depend on their disability compensation are not disqualified from the benefits intended to assist them.

The BOE writes in support that this bill would help expand the eligibility for those who receive service-connected disability payments for the low-income exemption, thus further reducing property tax bills for those who qualify. The BOE believes this bill will provide additional relief to those who have sacrificed and served our country as valued members of our armed forces.

- 4) OPPOSITION.** The California Teachers Association opposes this bill, noting that current law provides tax exemptions on a portion of property value for disabled veterans, provided their household income is below \$40,000. If local revenue from property taxes diminishes, this would heighten the state's dependency on funding, compelling the state to compensate for the deficit in property tax revenue, all while adhering to the Proposition 98 guarantee without the benefit of increased state income. This reduction in local funds could severely compromise California's capacity to place its public schools among the top quartile nationally.

The California Federation of Teachers (CFT) also opposes this bill stating it will reduce education revenue since every tax expenditure costs California classrooms about 40 cents per

dollar. The CFT supports increasing state revenue through a fair tax system that targets the wealth held by the top 0.1% who seldom pay income tax. We should tax billionaires and invest in housing for disabled veterans instead of cutting their property taxes.

5) **DOUBLE REFERRAL.** This bill is double referred; upon passage in this committee, this bill will be referred to the Assembly Committee on Revenue and Taxation.

6) **RELATED LEGISLATION.**

a) AB 2022 (Jeff Gonzalez) creates a new property tax exemption of 50% of the full value of the property owned by, and that constitutes the principal place of residence of, a veteran, the veteran's spouse, or the veteran and the veteran's spouse jointly, if the veteran is 100% disabled in lieu of the existing exemption for qualified disabled veterans. AB 2022 is pending in the Senate Revenue and Taxation Committee.

b) SB 1407 (Archuleta) expands the Military Services Retirement and Surviving Spouse Benefit Payment Act by excluding military retirement income up to \$40,000 instead of the current \$20,000 from state income tax. SB 1407 is pending in this Committee.

7) **PREVIOUS LEGISLATION.**

a) AB 535 (Schiavo), Chapter 918, Statutes of 2024, prohibits a determination of whether a potential tenant is eligible for supportive, affordable, or transitional housing under the Veterans Housing and Homeless Prevention Act from considering a potential tenant's service-connected disability benefits, and modifies definitions of "secondary tenant" to conform to this exclusion.

b) SB 1 (Seyarto) would have enacted the Military Services Retirement and Surviving Spouse Benefit Payment Act, which excludes two forms of military retirement income from state income tax. SB 1 was held on the Senate Appropriations Suspense File.

c) SB 23 (Valladares) would have enacted a full exemption from property tax for disabled veterans, using the same definitions that apply to the existing partial exemption. SB 23 was set for hearing in the Senate Military and Veterans Affairs Committee, but the hearing was cancelled at the request of the author.

d) SB 54 (Umberg), Chapter 646, Statutes of 2025, excludes veterans disability service-connected compensation from the monthly household income calculation to determine eligibility for a court fee waiver for individuals at 200% or less of the U.S. Department of Health and Human Services federal poverty guidelines.

e) SB 56 (Seyarto) of 2025 would have excluded service-connected disability income as household income when determining if the low-income veterans' property tax exemption applies. SB 56 was held on the Assembly Revenue and Taxation Committee's suspense file.

f) SB 296 (Archuleta) enacts a full exemption from property tax for disabled veterans, effective for lien dates starting on January 1, 2026, and ending January 1, 2036. SB 296 was held on the Assembly Revenue and Taxation Committee's suspense file.

- g) SCA 4 (Archuleta) / SB 623 (Archuleta) amends the California Constitution to allow additional property tax benefits for taxpayers eligible for the disabled veterans' or veterans' exemptions from property tax. SCA 4 was held on the suspense file in Senate Appropriations Committee and SB 623 has been amended for another purpose.
- h) ACA 5 (Schiavo) is substantially similar to SCA 4. ACA 5 is pending referral in the Assembly.
- i) SB 726 (Archuleta) of 2023 would have increased the disabled veterans' exemption from property taxation to \$863,790, and indexes the increased amount for inflation, for lien dates between January 1, 2024, and January 1, 2034. SB 726 was set for hearing in the Assembly Revenue and Taxation Committee, but the hearing was cancelled at the request of the author.
- j) SCA 6 (Archuleta) / SB 871 (Archuleta) of 2023 were substantially similar to SCA 4 and SB 623. SCA 6 passed the Senate but was never referred or heard in the Assembly. SB 871 was set for hearing in the Assembly Revenue and Taxation Committee, but the Committee cancelled the hearing.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

American Legion, Department of California  
Amvets, Department of California  
California State Board of Equalization  
California State Commanders Veterans Council  
California State Retirees  
Los Angeles County Assessor  
Military Officers Association of America, California Council of Chapters  
Orange; County of  
Peace Officers Research Association of California (PORAC)  
Vietnam Veterans of America, California State Council

### **Opposition**

California Teachers Association  
California Federation of Teachers, AFL-CIO

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