

Date of Hearing: June 29, 2026

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION

Mike Gipson, Chair

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

SUSPENSE

Majority vote. Tax levy. Fiscal committee.

SENATE VOTE: 33-0

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

SUMMARY: Excludes service-connected disability income from household income when determining if a homeowner qualifies for the low-income veterans' property tax exemption. Specifically, **this bill**:

- 1) Provides that, until January 1, 2037, "household income" does not include service-connected disability payments for purposes of the low-income veterans' property tax exemption.
- 2) Finds and declares the following for purposes of satisfying Revenue and Taxation Code (R&TC) Section 41:
 - a) The goals, purposes, and objectives of this bill are to do all of the following:
 - i) Remove the counterproductive requirement that also disqualifies;
 - ii) Provide that, under the law, the act of qualifying should never disqualify an individual from support or well-deserved benefits; and,
 - iii) Authorize veterans who qualify for this tax exemption to receive this tax exemption.
 - b) The detailed performance indicators for the Legislature to use in determining whether this expenditure meets these goals, purposes, and objectives are the number of qualified claims under the disabled veterans' tax exemption reported each year by the State Board of Equalization (BOE) using existing methods to track the number of claims.
 - c) Requires the BOE, on or before January 1, 2036, to submit to the Legislature and publish on its website a comparison of the number of claims for the low-income disabled veterans' property tax exemption for each taxable year from 2025 to 2034.
- 3) Reverts the provisions of the low-income disabled veterans' exemption to current law on January 1, 2037.

EXISTING LAW:

- 1) Provides that all property is taxable unless explicitly exempted by the California Constitution or the laws of the United States. (California Constitution, Article XIII, Section 1.)
- 2) Limits the maximum amount of *ad valorem* property taxation to 1% of the full cash value of the property. Generally, the Constitution restricts the full cash value of a property to the assessed value upon a change of ownership in, or new construction on, the property. This is referred to as the base year value, which may be adjusted upwards for inflation at no more than 2% annually. (California Constitution, Article XIII, Section 1 and 2.)
- 3) Exempts \$7,000 of the full value of an individual's principal residence from property taxation, unless the residence benefits from another real property tax exemption. This exemption is often referred to as the "homeowner's exemption". (California Constitution, Article XIII, Section 3, Subdivision (k).)
- 4) Authorizes a property tax exemption of \$4,000 for a veteran discharged under honorable conditions from specified armed service branches if that veteran has property valued in the aggregate of less than \$5,000 if single, and \$10,000 if married, commonly referred to as the "veteran's exemption". This exemption may also be claimed by the unmarried spouse of a deceased veteran or the surviving parents, as defined, of a deceased veteran, subject to the same limitation on the value of aggregate ownership in property. (California Constitution, Article XIII, Section 3, Subdivision (o), (p), and (q).)
- 5) Authorizes the Legislature to exempt the home of a disabled veteran, or their eligible surviving spouse, from property taxation. (California Constitution, Article XIII, Section 4.) In implementing this authorization, the Legislature exempts \$100,000 of the value of an eligible disabled veteran's principal residence from property taxation, or \$150,000 if the disabled veteran has a household income of \$40,000, or less. These amounts are all adjusted for inflation beginning on specified dates and this exemption is also known as the "disabled veteran's exemption". A disabled veteran meets the qualifications of the exemption if they are rated by the U.S. Department of Veterans Affairs (USDVA) as 100% disabled or unemployable as a result of a service-connected injury or disease. (R&TC Section 205.5.)
- 6) Provides that qualifying taxpayers can file a claim for the exemption when they receive a rating letter from the USDVA indicating a 100% disability rating or that the disability compensation is at the 100% level, so long as they provide:
 - a) Proof of the veteran's disability, which is generally a letter from the USDVA; and,
 - b) Proof that the character of service was under "other than dishonorable" conditions, such as a DD-214, or other letter from the USDVA indicating the character of service. (R&TC Section 205.5.)
- 7) Requires a county assessor to accept an electronically generated letter of service-connected disability in lieu of an original letter of service-connected disability. (R&TC Section 205.5.)

FISCAL EFFECT: According to the BOE, this bill would result in a \$48 million reduction in annual property tax revenues. Reductions in local property tax revenues, in turn, can increase General Fund (GF) Proposition 98 spending by roughly 40% (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).

COMMENTS:

- 1) The author has provided the following statement in support of this bill:

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.

- 2) Writing in support of this bill, a large coalition of California veterans groups notes, in part:

Under current law, a disabled veteran whose household income falls below approximately \$81,131 qualifies for a higher property tax exemption of roughly \$271,009 in assessed value. However, the income calculation currently includes service-connected disability compensation -- the very payments that establish the veteran's eligibility for the exemption in the first place. This creates an absurd catch-22: the compensation a veteran receives because of their service-connected disability can push them over the income threshold and disqualify them from the low-income exemption they have earned.

SB 888 corrects this by excluding service-connected disability payments from the household income calculation. This change aligns California with an advancing trend in federal and state policy. In 2024, the U.S. Department of Housing and Urban Development adopted an alternative income definition for the HUD-VA Supportive Housing program that excludes veterans' disability benefits. The IRS applied that change for the federal Low-Income Housing Tax Credit, and the California Legislature enacted AB 535 (Schiavo, 2024), making a similar change to the Veterans' Housing and Homeless Prevention Act. SB 888 is the logical next step.

- 3) Writing in opposition to this bill, the CFT — A Union of Educators & Classified Professionals, AFT, AFL-CIO, notes, in part:

The CFT supports veterans and thanks every member of our society that served the nation. CFT members strive to serve veterans and their families in the public education system, which is dependent on funding formulas from Proposition 98. Unfortunately, this bill would lead to a lower level of revenue into the education system, since every dollar that is provided as a tax expenditure includes a roughly 40-cent charge to California's classrooms. The CFT rather advocates for revenue increases into the state, perhaps by a more equitable tax system that recognizes the vast sums of capital held by 0.1% of the population who rarely pay income tax on those dollars. Tax billionaires, and give disabled veterans mansions among our communities rather than provide a reduction in their property taxes.

- 4) Committee Staff Comments:

- a) *Double referred*: In addition to this Committee, this bill was referred to the Assembly Committee on Military and Veterans Affairs, which passed this bill on June 16, 2026, with a vote of 8-to-0. For additional discussion regarding issues that fall under that Committee's jurisdiction, please refer to that Committee's analysis.

- b) *What is a "tax expenditure"?* Existing law provides various credits, deductions, exclusions, and exemptions for particular taxpayer groups. In the late 1960s, U.S. Treasury officials began arguing that these features of the tax law should be referred to as "expenditures" since they are generally enacted to accomplish some governmental purpose and there is a determinable cost associated with each (in the form of foregone revenues).

As the Department of Finance notes in its annual Tax Expenditure Report, there are several key differences between tax expenditures and direct expenditures. First, tax expenditures are typically reviewed less frequently than direct expenditures. Second, there is generally no control over the amount of revenue losses associated with any given tax expenditure. Finally, it should also be noted that, once enacted, it takes a two-thirds vote to rescind an existing tax expenditure absent a sunset date. This effectively results in a "one-way ratchet" whereby tax expenditures can be conferred by majority vote, but cannot be rescinded, irrespective of their efficacy or cost, without a supermajority vote.

- c) *How does this work?* 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 USDVA determination that the spouse's death was service-connected.

Current law defines "totally disabled" to mean that either 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% 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 does not entirely exclude the value of a disabled veteran's property. Instead, state law provides 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 \$81,131.¹

The California Constitution prohibits a taxpayer that claims the homeowners' exemption from also claiming the disabled veterans' or veterans' exemption.

¹ Yeung, David. "Letter to County Assessors: Disabled Veterans Exemption Increases for 2026." *State Board of Equalization*. May 21, 2025. <https://boe.ca.gov/proptaxes/pdf/lta25014.pdf>.

d) *What is considered as household income?* Taxpayers claiming the exemption for the first time must 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. The term “household” includes the claimant and all other persons, except bona fide renters, minors, or students. Household income includes all of the following:

- i) Wages, salaries, tips, and other employee compensation;
- ii) Social Security, including the amount deducted for Medi-Care premiums;
- iii) Railroad retirement;
- iv) Interest and dividends;
- v) Pensions, annuities and disability retirement payments;
- vi) SSI/SSP (Supplemental Security Income/State Supplemental Plan), AB (Aid to the Blind), ATD (Aid to Totally Disabled), AFDC (Aid to Families with Dependent Children), and APSB (Aid to the Potentially Self-Supporting Blind);
- vii) Rental income (or loss);
- viii) Net income (or loss) from a business;
- ix) Income (or loss) from the sale of capital assets;
- x) Life insurance proceeds that exceed expenses;
- xi) Veterans benefits received from the Veterans Administration;
- xii) Gifts and inheritances in excess of \$300, except between members of the household;
- xiii) Unemployment insurance benefits;
- xiv) Workers compensation for temporary disability (not for permanent disability);
- xv) Amounts contributed on behalf of the claimant to a tax sheltered or deferred compensation plan (also a deduction);
- xvi) Sick leave payments;
- xvii) Nontaxable gain from the sale of a residence; and,
- xviii) Income received by all other household members while they lived in the claimant's home during the last calendar year except a minor, student, or renter.

- e) *What is considered income in other contexts?* This bill advances a recent trend in federal and state housing policy. In August of 2024, 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 Committee subsequently applied for purposes of the state LIHTC. Furthermore, the Legislature enacted AB 535 (Schiavo), Chapter 918, Statutes of 2024, which made a similar change to the state's Veterans Housing and Homeless Prevention Act. Last year, the Legislature also enacted SB 54 (Umberg), Chapter 646, Statutes of 2025, which 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.
- f) *Committee's tax expenditure policy:* Both R&TC Section 41 and Committee policy require any tax expenditure bill to outline specific goals, purposes, and objectives that the tax expenditure will achieve, along with detailed performance indicators for the Legislature to use when measuring whether the tax expenditure meets those stated goals, purposes, and objectives. A tax expenditure bill will not be eligible for a Committee vote unless it has complied with these requirements.

In its current form, this bill states that the expenditure is designed to remove the counterproductive requirement and authorize veterans who qualify for this tax exemption to receive this tax exemption. In addition, this bill provides that the expenditure's effectiveness shall be measured by the number of taxpayers claiming the exemption. The Committee may wish to consider whether the utilization of the exemption, in and of itself, is a sufficient rubric by which to measure this exemption's effectiveness.

In addition to the R&TC Section 41 requirements, this Committee's policy also requires that all tax expenditure proposals contain an appropriate sunset provision to be eligible for a vote. According to this policy, an "appropriate sunset provision" means five years, except in the case of a tax expenditure measure providing relief to California veterans, in which case "appropriate sunset provision" means ten years. This bill, as currently drafted, complies with the Committee's policy on sunset dates.

g) *Related legislation:*

- i) AB 2022 (Jeff Gonzalez) would create a new property tax exemption equal to 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 to be taken in lieu of the existing exemption for qualified disabled veterans. AB 2022 is currently pending hearing by the Senate Revenue and Taxation Committee.
- ii) SB 296 (Archuleta) completely exempts from property taxes the principal residence of a veteran, the veteran's spouse, or the veteran and spouse jointly, when the veteran is 100% disabled. SB 296 is currently pending on this Committee's Suspense File.

h) *Prior legislation:*

- i) SB 56 (Seyarto), of the current legislative session, was substantially similar to this bill. SB 56 was held on this Committee's Suspense File.
- ii) 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.
- iii) AB 535 (Schiavo), Chapter 918, Statutes of 2024, prohibited 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 modified definitions of "secondary tenant" to conform to this exclusion.
- iv) AB 1014 (Schiavo), of the 2023-24 Legislative Session, would have allowed a claimant to combine the disabled veterans exemption with any other real property exemption to which the claimant may be entitled, including the regular veteran's exemptions, as specified. AB 1014 was not heard by the Assembly Committee on Military and Veterans Affairs.
- v) SB 82 (Seyarto), Chapter 773, Statutes of 2023, required a county assessor to accept an electronically generated letter of service-connected disability in lieu of an original letter of service-connected disability.
- vi) AB 1361 (Hoover), Chapter 473, Statutes of 2023, authorized a county assessor to provide written or electronic determination of preliminary eligibility for the disabled veteran's tax exemption.
- vii) AB 2898 (Fong and Mathis), of the 2022-23 Legislative Session, would have expanded the disabled veterans' property tax exemption by doubling the allowable exemption amount to \$200,000, or \$300,000 if the household income of the claimant does not exceed \$40,000 (adjusted for inflation). AB 2898 was held on the Assembly Appropriations Committee's Suspense File.
- viii) SB 658 (Grove), of the 2020-21 Legislative Session, would have expanded the disabled veterans' exemption to allow a reduced exemption for partially disabled veterans. SB 658 was held on the Senate Appropriations Committee's Suspense File.

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
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
CFT – a Union of Educators & Classified Professionals, AFT, AFL-CIO

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