Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 888 (Seyarto) – As Amended March 26, 2026

Policy Committee:	Military and Veterans Affairs	Vote:	8 - 0
	Revenue and Taxation		7 - 0

Urgency: No State Mandated Local Program: Yes Reimbursable: Yes

SUMMARY:

This bill excludes service-connected disability payments from the calculation of household income when determining whether a veteran qualifies for the low-income disabled veterans' property tax exemption ("low-income exemption").

Specifically, this bill:

1) Provides, until January 1, 2037, that the definition of "household income" used to determine whether a veteran qualifies for the low-income exemption excludes service-connected disability payments.

2) Declares the goal of the expanded exemption and requires the State Board of Equalization (BOE) to use existing methods to track the number of exemption claims and publish, by June 1, 2036, a report with such data for the Legislature to use to determine whether the expanded exemption meets the declared goal.

FISCAL EFFECT:

1) Annual property tax revenue loss of approximately $48 million by discounting disability payments when calculating income for purposes of the low-income exemption, thus allowing more veterans to qualify for the low-income exemption. Although property tax is a local government revenue source and this bill prohibits the state from reimbursing local agencies for lost property tax revenues, reductions in property tax revenues, in turn, increase General Fund (GF) Proposition 98 spending (the exact amount depends on the operative test of the annual Proposition 98 guarantee).

2) Costs of approximately $11,000 in the initial year and $2,000 annually thereafter to BOE to update related guidance and materials and track exemption claims to publish the report (GF).

3) Modifying income requirements for the low-income exclusion requires a county assessor to make eligibility redeterminations and update claims forms and informational materials. By adding to the duties of a county assessor in administering the exemption, this bill likely creates a state-mandated local program. If the Commission on State Mandates determines the provisions of this bill create a new program or impose a higher level of service for which the state must reimburse local costs, the county may seek reimbursement from the state (GF). The magnitude of such costs is unknown.

COMMENTS:

1) **Purpose.** 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.

2) **Disabled Veterans' Exemption.** Existing law authorizes a property tax exemption for the principal residence of a disabled veteran or for the unmarried surviving spouse of a deceased disabled veteran. For purposes of the exemption, the veteran must have been discharged under honorable conditions and the disability rating must be 100%, generally occurring for a veteran who is blind in both eyes, has lost the use of two or more limbs, or is totally disabled. This exemption is commonly referred to as the "disabled veterans' exemption."

   The property tax exemption amount is equal to the assessed value of the property, up to $100,000 (the "basic" exemption). If household income does not exceed $40,000, the maximum property tax exemption is increased to $150,000 (the "low-income" exemption). The exemption amounts and income limitation are adjusted annually for changes to the California Consumer Price Index. For example, the adjusted income limitation for the 2026 lien date is $81,131. This bill excludes service-connected disability payments from the calculation of household income when determining whether a veteran qualifies for the low-income exemption. Thus, this bill would allow some veterans currently claiming the basic exemption to instead qualify for the low-income exemption.

3) **Support and Opposition.** This bill is supported by the BOE, county entities, a retiree and a peace officer association, and a coalition of veterans groups, the latter of which argues, "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" and that this bill's treatment of such income aligns "with an advancing trend in federal and state policy."

   This bill is opposed by labor organizations, with the California Teachers Association arguing it "opposes any reduction in revenue to the State's General Fund which would reduce Proposition 98 funding."

4) **Related Legislation.** SB 54 (Umberg), Chapter 646, Statues of 2025, prohibited a veteran's disability service-connected compensation from the monthly household income calculation used to determine an individual's eligibility for a court fee waiver program.

   SB 56 (Seyarto) is substantially similar to this bill. SB 56 was held on the Assembly Revenue and Taxation Committee's suspense file.

   SB 296 (Archuleta) and AB 2022 (Jeff Gonzalez) are identical and expand the value of the basic and low-income exemption. SB 296 is pending hearing by this committee and AB 2022 is pending hearing by the Senate Appropriations Committee.

SB 1407 (Archuleta) doubles the amount of retirement pay and annuity payments that a qualifying military retiree or surviving spouse may exclude from gross income under the Personal Income Tax Law. SB 1407 is pending hearing by this committee.

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