
SENATE COMMITTEE ON REVENUE AND TAXATION

Senator Jerry McNerney, Chair

2025 - 2026 Regular

Bill No: SCA 4
Author: Archuleta
Version: 2/0/25
Consultant: Grinnell

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Tax Levy:
Fiscal: Yes

PROPERTY TAXATION: VETERANS' EXEMPTION

Amends the California Constitution to allow additional property tax benefits for taxpayers eligible for the disabled veterans' or veterans' exemptions from property tax.

Background

The California Constitution provides that all property is taxable unless explicitly exempted by the Constitution or federal law. However, Section Three of Article XIII sets forth several property tax exemptions, including:

The Homeowners' Exemption. The Constitution authorizes a taxpayer to claim a \$7,000 exemption to the taxable value of a property when the home is the principal place of residence of the owner on January 1st of the year the exemption is claimed. The homeowners' exemption may not be claimed if the taxpayer claims another exemption. State law also precludes taxpayers from claiming the homeowners' exemption for property that is rented, vacant, under construction on the lien date, or that is a vacation or secondary home. The property must be the taxpayer's true, fixed, and permanent home, and principal establishment to which they intend to return if absent. Once granted, the exemption continues until the taxpayer notifies the assessor or ownership changes. The Constitution allows the Legislature to increase the exemption; however, they must increase subventions to local agencies backfilling any revenue loss and provide an increase in benefits to qualified renters. Unlike other exemptions, Section 25 of Article XIII requires the state to backfill local property tax revenue losses resulting from the exemption.

Veterans' Exemption. The Constitution contains an exemption for veterans, which the Constitution defines as someone who *is* serving in, or has served and been discharged under honorable conditions *from* service in, the United States Army, Navy, Air Force, Marine Corps, Coast Guard, or Revenue Marine (Revenue Cutter) Service; and served in any of the following:

- in time of war,
- in time of peace in a campaign or expedition for which a medal has been issued to the veteran by Congress, or
- in time of peace and because of a service-connected disability was released from active duty.

There are 26 wars and 4 campaigns that qualify for the Veterans' Exemptions in statute. The majority of the wars and campaigns listed occurred over 100 years ago, dating back to the Revolutionary War. The exemption reduces taxable value by \$1,000 (adjusted to \$4,000 in

statute) for a person qualifying under the above criteria, or their unmarried surviving spouse or parent in the case of a deceased veteran meeting the service requirements.

The Constitution only allows the exemption for veterans who own property, real or personal, worth less in aggregate than \$5,000 if the claimant is single, or \$10,000 if married. According to the State Board of Equalization (BOE), at its peak, from 1956 through 1962, over one million persons received the veterans' exemption. However, the constitutional restrictions for the exemption have rendered it obsolete, so much so that no one currently claims it according to BOE. This exemption has also fallen into disuse because at only \$4,000, any eligible veteran who owns a home can instead claim the more valuable \$7,000 homeowners' exemption.

Disabled Veterans' Exemption. Additionally, Section Four of Article XIII 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 determination that the spouse's death was service connected. The exemption applies instead of other real property exemptions, like the homeowners' exemption.

The disabled veterans' exemption authorizes a partial exemption of \$100,000 for disabled veteran taxpayers with an annual household income of more than \$40,000, or a partial exemption of \$150,000 for income lower than \$40,000. Each of these threshold amounts are adjusted for inflation by the Department of Industrial Relations using the California Consumer Price Index for all items. The current inflation-adjusted exemption for 2025 is \$175,298 for disabled veterans with income above \$78,718 and \$262,950 for those with income below \$78,718.

Seeking to provide additional property tax relief for veterans, including disabled veterans, the author wants to place a constitutional amendment before voters that would allow taxpayers to claim both the homeowners' and disabled veterans' exemption, and allow the Legislature to adjust the aggregate value of property a taxpayer can claim to be eligible for the veterans' exemption as well as the exemption amount.

Proposed Law

Senate Constitutional Amendment 4 places a measure before voters that removes a provision in the California Constitution that prevents a taxpayer from claiming the homeowners' exemption *and* the disabled veterans' or veterans' exemption, thereby allowing eligible taxpayers to stack the exemptions. SCA 4 also requires the Legislature to increase the veterans' exemption if it increases the homeowners' exemption.

The measure also makes two changes to the veterans' exemption:

- Deletes a provision that limits claiming the veterans' exemption to only those veterans who own in the aggregate less than \$5,000 if the claimant is single, or \$10,000 if married.
- Allows the Legislature to provide a greater exemption amount than the current \$4,000 one, so long as that amount does not exceed the full value of the property.

SCA 4 also makes technical and conforming changes.

State Revenue Impact

According to BOE, “Granting disabled veterans the homeowners’ exemption would result in an estimated annual revenue loss of \$4.7 million (1% property tax rate \times \$474 million exemption value) to local governments.”

Comments

1. Purpose of the bill. According to the author, “Veterans have made significant sacrifices in service to our country. They have put their lives on the line, spent time away from their families, and faced numerous physical and mental challenges in their pursuit of safety and security for our Country. And yet despite all of this, many veterans continue to face difficulties as they transition back to civilian life. One of the biggest challenges veterans face is the financial burden of owning a home. For many veterans, owning a home can be a difficult dream to achieve and maintain. Many veterans struggle to make ends meet despite their service, especially if they are on a fixed income or facing other financial challenges. In California, the current veterans’ exemption provides veterans and their families with a \$4,000 reduction in the taxable value of their property to help ease the financial burden of owning a home. This lifeline can be especially important for veterans who are facing other challenges such as medical bills or disabilities as a result of their service. Unfortunately, the amount of the current veteran exemption has remained the same since its creation, along with limitations on the maximum eligible value of a property owned by a veteran. Furthermore, because the homeowners’ exemption is nearly twice the amount of the veteran exemption at \$7,000, most California veteran homeowners choose the homeowners’ exemption, leaving the veterans’ exemption underutilized. SCA 4 and SB 623 seek to allow a veteran property owner who qualifies for the veterans’ exemption or the disabled veterans’ exemption to also receive the homeowners’ exemption. These measures will provide much needed tax relief for veterans and their families. In California, we have a proud tradition of supporting our veterans. We recognize the sacrifices that they have made and we are committed to providing them with the support they need to succeed and stay here in California after their service. SCA 4 and SB 623 exemplifies that commitment and is a way for California to show that we value our veterans and their contributions to our great state.”

2. Who benefits? SCA 4’s changes for the veterans’ exemption should increase the current amount of veterans’ exemption claimants beyond the current number of zero. First, by deleting the asset test, veteran taxpayers owning property with a value of more than \$5,000 or \$10,000 would qualify. Second, the measure allows the Legislature to increase the exemption amount past the current \$4,000, which if set higher than the \$7,000 homeowners’ exemption amount, would likely result in more taxpayers claiming the veterans’ exemption instead. Additionally, only veterans who have lost two or more limbs, are totally blind, or totally disabled as a result of a service-connected injury qualify for the disabled veterans’ exemption, while the veterans’ exemption can be claimed by any veteran who served during a specified war or campaign, was issued a medal by Congress during time of peace, or was discharged as a result of a service-connected disability. As a result, SCA 4 could benefit those veterans with service-connected disabilities, but who do not meet the current criteria for the disabled veterans’ exemption. Lastly, SCA 4 directly benefits disabled veterans by allowing them to potentially stack up to three exemptions (disabled veterans’, veterans’, and homeowners’) instead of one.

3. Been a long time. Little guidance exists for the veterans' exemption because the exemption is functionally obsolete. Additionally, its statutory implementation provisions are outdated. For example, the last war the Legislature added onto the statutory list for veterans' exemption eligibility was the "Campaign against the Viet Cong and North Vietnamese Communists in South Vietnam, August 5, 1964, to May 8, 1975." The military forces of the United States have been involved in several other conflicts since (with new ones seemingly occurring every day), and reference to pre-World War II wars and conflicts can likely be pared.

4. Togetherness. SB 623 (Archuleta) makes changes to statute to implement SCA 4's constitutional change to allow eligible taxpayers to also claim both the homeowners' as well as either the disabled veterans' or veterans' exemption. The Committee will also consider that bill at its January 14, 2026, hearing.

5. Conforming change. In 2022, the Legislature enacted AB 1715 (Muratsuchi), which updated several provisions in state law, including the disabled veterans' exemption, to include the United States (US) Space Force among the lists of Armed Forces entities. However, the part of the Constitution SCA 4 seeks to amend only refers to the United States Army, Navy, Air Force, Marine Corps, Coast Guard, or Revenue Marine (Revenue Cutter) Service.

6. One way or another. If approved by voters, SCA 4 would allow disabled veterans to also claim the homeowners' exemption, equal to \$7,000 in value or \$70 in tax at the 1% rate. Last year, the Senate approved SB 296 (Archuleta), which suspends the current disabled veterans' basic and low-income exemptions and instead provides a full property tax exemption for the principal residence of a disabled veteran or the surviving unmarried spouse of a qualified veteran. SB 296 provided that its full exemption was in lieu of the veterans' or homeowners' exemption, so if both it and SCA 4 are enacted, a disabled veteran could not claim an exemption that exceeds the full value of their property. However, the Assembly Revenue & Taxation Committee held SB 296 on its suspense file.

9. Related legislation. SCA 4 is largely identical to SCA 6 (Archuleta, 2023). The Senate approved that measure, but it died at the Assembly Desk.

10. Double-referred. The Senate Rules Committee ordered a double referral of SCA 4. First, to the Committee on Revenue & Taxation, and second to the Committee on Elections & Constitutional Amendments.

Support and Opposition (1/8/26)

Support: California State Board of Equalization
Howard Jarvis Taxpayers Association

Opposition: None received.

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