



[SB 296](#) (Archuleta)

Date: Introduced 02/10/25; Amended 03/19/25

Program: Property Taxes

Revenue and Taxation Code Section 205.5.1

Effective: Upon enactment, immediately

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**Summary:** This bill would add section 205.5.1 to the Revenue and Taxation Code (RTC) thereby suspending the current disabled veterans basic and low-income exemptions and instead providing a full property tax exemption on the principal residence of a disabled veteran or the surviving unmarried spouse of a qualified veteran. The exemption would apply to tax lien dates occurring on or after January 1, 2026, and before January 1, 2036. This bill also includes a new reporting requirement for the State Board of Equalization (BOE).

**Summary of Amendments:** The March 19 amendments clarify the operative timeframe for the exemption - January 1, 2026 lien date and beyond, until January 1, 2036. The amendments also strike unnecessary inflation factor language - RTC 205.5.1 (a) (1) (E) - from the prior version of the bill.

**Fiscal Impact Summary:** Estimated potential local annual revenue loss of \$334 million. This is an increase of approximately \$192 million when compared to the current disabled veterans' basic and low-income exemption.

**Existing Law:** The California Constitution<sup>1</sup> authorizes the Legislature to exempt, partially or fully, from property tax the home of a person or spouse, including an unmarried surviving spouse, if the person has incurred certain injuries in military service, including blindness in both eyes, lost use of two or more limbs, or is totally disabled. The exemption also applies if a person's death is from a service-connected injury or disease or occurs while on active duty in military service. This exemption is commonly referred to as the disabled veterans' exemption.

**Statutory Exemption Amount.** Current law<sup>2</sup> allows an exemption for all qualified disabled veterans' exemption claimants in the amount of \$100,000 (called the basic exemption). If the claimant's household income is below \$40,000, this amount is increased to \$150,000 (referred to as the low-income exemption). The law also requires an inflation factor to be applied to all amounts annually<sup>3</sup>.

Thus, for the 2024-25 fiscal year, those claimants with household incomes below \$76,235 may receive an exemption of \$254,656. For all other eligible claimants, the exemption amount is \$169,769. For the 2025-26 fiscal year, the basic exemption will be \$175,298, the low-income exemption will be \$262,950, and the low-income household limit will be \$78,718.

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<sup>1</sup> [Section 4\(a\)](#) of Article XIII of the California Constitution.

<sup>2</sup> Revenue and Taxation Code (RTC) Section 205.5

<sup>3</sup> Since 2006, RTC Section 205.5(h) allows a compounding inflation factor to apply to the \$150,000 and \$100,000 amounts. Since 2002, RTC Section 205.5(g) allows a compounding inflation factor to apply to the \$40,000 income threshold.

**Proposed Law:** In lieu of the property exemption in section 205.5, for property tax lien dates occurring on or after January 1, 2026, but occurring before January 1, 2036, this bill would add section 205.5.1 to the Revenue and Taxation Code, providing a full exemption for the principal residence of any qualified disabled veteran or the surviving unmarried spouse of a disabled veteran. The exemption from taxation is specifically based on the following conditions:

- The property is owned by and constitutes the principal place of residence of a veteran, the veteran's spouse, or the veteran and the veteran's spouse jointly. (RTC 205.5.1 (a)(1)(A).)
- The veteran is blind in both eyes or has lost the use of two or more limbs as a result of injury or disease incurred in military service, and the disability rating by the United States Department of Veterans Affairs or the military service from which the veteran was discharged is 100 percent. (RTC section 205.5.1 (a)(1)(B).)
- The veteran is totally disabled as a result of injury or disease incurred in military service. (RTC section 205.5.1 (a)(1)(C).)

Under the proposed section 205.5.1(b)(1)(A), the veteran *must have been a resident of this state* on January 1 of the year in which they died. Additionally, for a property to be deemed the principal place of residence for an unmarried surviving spouse in a care facility, section (2)(B) adds an additional condition that the property is deemed to be the principal place of residence *only* if it was the principal place of residence of the veteran when they died.

Section 2 of the bill also includes intent language stating that the requirements of RTC section 41 apply to the proposed exemptions contemplated in SB 296, including an annual reporting requirement for BOE, and that the goal, purpose, and objective of the exemption is to reduce homelessness by providing a tax exemption to 100 percent disabled veteran homeowners.

To assist the Legislature in determining whether the exemption allowed by this act fulfills the goal, purpose, and objectives, BOE shall, to the extent data is available from county assessors, annually collect and report to the Legislature, data from county assessors to quantify the amount of assessed value exempted and the number and type of taxpayers granted this exemption by June 1 of every year until June 1, 2035 (in accordance with Section 9795 of the Government Code).

**Effective Date.** As a tax levy, this bill is effective immediately upon enactment. However, the bill provides that it applies commencing with the lien date January 1, 2026. ( RTC section 205.5.1(a)(1)).

**In General:** California law provides qualified disabled veterans and their unmarried surviving spouses with a property tax exemption that applies to their home's assessed value. To be eligible, the veteran has or had specified injuries, or the claimant must obtain a United States Department of Veterans Affairs (USDVA) disability rating that either (1) rates the veteran's disability at 100 percent or (2) rates the veteran's disability compensation at 100 percent because the veteran is unable to secure and maintain gainful employment.

The law also allows surviving spouses of deceased veterans to receive the exemption when the

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veteran qualified for the exemption during their lifetime or would have qualified for the exemption if they had been alive on January 1, 1977, or died from a service-connected injury or disease. In the case of an unmarried surviving spouse of a veteran who died from a service-connected injury or disease, the unmarried spouse may be eligible for exemption even though the veteran was not eligible for the exemption during their lifetime. In this case, to be eligible for the exemption, surviving spouses must receive a USDVA determination that the spouse's death was service connected. A USDVA determination is necessary for (1) active-duty personnel deaths (i.e., the service person was not a "veteran") and (2) veterans without a 100 percent rating when alive but whose cause of death is deemed service connected. In addition, surviving spouses of veterans with specified injuries or a 100 percent disability rating during their lifetime can continue to receive the exemption after the veteran's death so long as they do not remarry.

The exemption amount depends upon the claimant's income. For the 2024-25 fiscal year, the basic exemption adjusted for inflation was \$169,769. If the claimant's income was less than \$76,235, the low-income exemption amount was \$254,656. For the fiscal year 2024-25, 85,920 disabled veterans or their unmarried surviving spouses were granted the exemption.

#### **Commentary:**

1. **This bill fully exempts the homes of disabled veterans from property tax.** The California Constitution provides that the Legislature may exempt these homes in whole or in part. This bill proposes to modify the current exemption to a full exemption of the assessed value of the property for disabled veteran claimants.
2. **Filing Requirements.** Currently, a one-time filing is required for the basic exemption; however, an annual filing is required for the low-income exemption to ensure the claimant continues to meet the household income limit restriction. Because this bill eliminates the income-based exemption, staff assumes that a one-time filing will be required where the disabled veteran provides all the pertinent mandatory documentation as required.
3. **Annual Notice.** RTC section [278](#) requires assessors to annually mail a notice to all claimants receiving the disabled veterans' exemption informing them of the requirements that must be met in order to be eligible for the exemption; the penalties if the taxpayer allows the exemption to continue when he or she is not eligible for the exemption; and his or her duty to inform the assessor when he or she is no longer eligible for the exemption. Under this bill, it is assumed that assessors will still be required to annually send this notice.
4. **The state does not reimburse local governments for the property tax revenue loss from the Disabled Veterans' Exemption.** By contrast, the state fully reimburses local governments for the homeowners' exemption.
5. **Operative Date.** As a tax levy, this bill would take effect immediately. However, RTC section 205.1.1(a)(1) provides that its terms will be operative beginning with the lien date January 1, 2026.

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6. **How much is the exemption currently?** The exemption amount depends upon the claimant's income. For the 2024-25 fiscal year, eligible claimants with household incomes below \$76,235 may receive an exemption of \$254,656. For all other eligible claimants, the exemption amount is \$169,769. In some cases, these exemption amounts may result in a full exemption depending on the assessed value of the property.
7. **How many persons claim the disabled veterans' exemptions?** For 2024-25, 85,920 exemptions were granted to eligible claimants: 79,851 basic exemptions and 6,069 low-income exemptions. This is the disabled veteran population that meets the requirements and criteria set by SB 296. The revenue analysis below is based on the 85,920 population.
8. **Top 10 Counties.** For 2025, the counties with the most disabled veterans' exemptions in descending order include: (1) San Diego: 17,778; (2) Riverside: 12,394; (3) San Bernardino: 5,897; (4) Los Angeles: 5,634; (5) Sacramento: 4,133; (6) Solano: 3,705; (7) Orange: 3,260; (8) Kern: 2,399; (9) Ventura: 2,174; (10) Contra Costa: 2,053.
9. **Related Legislation.** SB 56 (Seyarto) removes a disabled veteran's disability pay from the personal income calculation when determining their qualification for the low-income exclusion of the disabled veteran's property tax exemption. ACA 5 (Schiavo) would allow a dwelling that receives the veterans' exemption or the disabled veterans' exemption to also receive the homeowners' exemption.
10. **Unmarried Spouse.** Under current law, the unmarried spouse can keep the full exemption after the disabled veteran dies. Under the proposed section 205.5.1(b)(1)(A), the veteran *must have been a resident of this state* on January 1 of the year in which they died. Currently, the unmarried surviving spouse will qualify as long as the deceased veteran is *qualified during their lifetime*. Additionally, for a property to be deemed the principal place of residence for an unmarried surviving spouse in a care facility, section (2)(B) adds an additional condition that the property is deemed to be the principal place of residence *only* if it was the principal place residence of the veteran when they died. This qualification is not a condition of the current disabled veteran's exemption and will limit the exclusion for the unmarried surviving spouse in a care facility if the deceased veteran never lived there.

**Costs:** The estimated one-time cost is approximately \$8,114.

### **Revenue Impact:**

#### Current Disabled Exemption

According to 2024-25 BOE data, 79,851 disabled veterans received the basic exemption (\$169,769), amounting to an estimated \$12.8 billion in basic exempt value. Based on the 1% property tax rate, the estimated basic exemption revenue loss was \$128 million (1% × \$12.8 billion).

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In 2024-25, the low-income limit was \$76,235, and 6,069 disabled veterans received the low-income exemption (\$254,656), amounting to an estimated \$1.4 billion in low-income exempt value. Based on the 1% tax rate, the estimated low-income revenue loss was \$14 million (1% × \$1.4 billion).

The total number of disabled veteran claims was 85,920, and the total estimated revenue loss was \$142 million (basic exemption \$128 million + low-income exemption \$14 million).

#### SB 296 Full Property Tax Exemption Impact

Staff estimates the average assessed value of the primary residence of totally disabled veterans to be \$389,000. The total assessed value is estimated to be \$33.4 billion ( $\$389,000 \times 85,920$  current disabled exemptions), and the total property tax revenue loss is estimated to be \$334 million (1% × \$33.4 billion).

Suspending the current basic and low-income exemptions and replacing them with a full property tax exemption would result in an estimated additional \$192 million in annual property tax revenue loss (SB 296 full exemption \$334 million – current law exemption \$142 million).

**Revenue Summary.** By exempting the home of qualified disabled veterans' exemption claimants, this bill would result in a potential local annual revenue loss of \$334 million. In relation to the current basic and low-income exemptions, the SB 296 full property tax exemption results in an estimated revenue loss increase of \$192 million.

**Qualifying Remark:** For calculating revenue impact, staff assumes the total number of disabled veteran exemptions includes all that qualify pursuant to RTC section 205.5(e).

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