



## Legislative Bill Analysis

[Assembly Bill 2898](#) (Fong)  
Date: February 18, 2022 (Introduced)  
Program: Property Taxes  
Revenue and Taxation Code section 205.5  
Effective: Immediately

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Analysis Date: March 21, 2022

**Summary:** Increases the disabled veterans' tax exemption beginning with the 2023-24 fiscal year to \$200,000, or \$300,000 if the household income of the claimant does not exceed \$40,000 (as adjusted for inflation since 2002), with exemption amounts adjusted for inflation commencing on January 1, 2024, and for each assessment year thereafter.

**Fiscal Impact Summary:** Annual local property tax revenue loss estimated up to \$33.2 million statewide.

**Existing Law:** The California Constitution<sup>1</sup> authorizes the Legislature to exempt partially or fully from property tax, the principal residence of a veteran or spouse, including an unmarried surviving spouse, that has incurred certain injuries during military service, including blindness in both eyes, lost use of 2 or more limbs, or totally disabled. The exemption also applies if a person has, because of a service-connected injury or disease, died while on active duty in military service. This exemption is commonly referred to as the "disabled veterans' exemption."

Revenue and Taxation Code (RTC) section 277<sup>2</sup> requires that anyone claiming the disabled veterans' exemption must file a claim with the County Assessor.

Currently, a disabled veteran must have a United States Department of Veteran Affairs (USDVA) disability rating of 100 percent to be eligible for the exemption.

**Proposed Law: Increases Exemption Amount.** This bill increases the current disabled veterans' exemption amount from \$100,000 to \$200,000 for qualified claimants and increases the low-income disabled veterans' exemption amount from \$150,000 to \$300,000 for qualified claimants whose household income does not exceed \$40,000, with all amounts as adjusted for inflation.

**Operative Lien Dates.** The increase in the disabled veterans' property tax exemption amount shall apply for the property tax lien dates for the 2023-24 fiscal year and for each fiscal year thereafter.

**Adjusted for Inflation.** Commencing on January 1, 2024, the new exemption amounts of \$200,000 and \$300,000 shall be compounded annually by an inflation factor that is the annual percentage change, measured from February to February of the two previous assessment years, rounded to the nearest one-thousandth of 1 percent, in the California Consumer Price Index for all items, as determined by the California Department of Industrial Relations.

**Technical Changes.** This bill also makes minor technical changes.

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<sup>1</sup> Article XIII, [Section 4\(a\)](#) of the California Constitution and RTC section 205.5.

<sup>2</sup> [RTC section 277](#)

**In General:** California law provides a qualified disabled veteran, their spouse, or their unmarried surviving spouse with a property tax exemption that applies to their principal residence's assessed value. Exemption eligibility provisions require that the claimant obtain a 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 unmarried surviving spouses to receive the exemption if the veteran's death was service connected. To be eligible for the exemption, unmarried surviving spouses must receive a USDVA determination that the veteran's death was service connected. A USDVA determination is necessary for (1) active-duty personnel deaths and (2) veterans without a 100 percent rating when alive, but whose cause of death is deemed service connected. Surviving spouses of veterans with a 100 percent disability rating during their lifetime continue to receive the exemption after the veteran's death, so long as they are not currently remarried.

The exemption amount depends upon the claimant's income. For the 2022 lien date, the basic exemption amount adjusted for inflation, is \$149,993. However, if the claimant's household income is less than \$67,355, the low-income exemption amount is \$224,991.<sup>3</sup> For the 2021 assessment year, a total of 63,968 disabled veterans, their spouses, or their unmarried surviving spouses were granted the exemption.<sup>4</sup>

### Commentary:

1. **Related Legislation. SB 1073** (Grove) would allow a partial disabled veterans' exemption based upon a veteran's disability rating percentage from the USDVA or the military service from which the veteran was discharged. **SB 1073** does not increase the exemption amounts, whereas **AB 2898** would increase the base exemption amounts that would then be adjusted for inflation. **SB 1357** (Archuleta) is a bill relating to the disabled veterans' exemption that would authorize a partial exemption.
2. **Current Exemption Amounts.** The original \$100,000 and \$150,000 exemption amounts have been annually updated for inflation. For the 2022 lien dates, the disabled veterans' basic exemption amount is \$149,993 and the low-income exemption amount is \$224,991 for disabled veterans with an annual household income of less than \$67,355. This bill would represent a net increase in exemption amounts of \$50,007, and \$75,009, for disabled veterans and low-income disabled veterans respectively.
3. **Low-Income Threshold.** The two exemption amounts have been increased and will be annually adjusted for inflation commencing on January 1, 2024, and for each assessment year thereafter. However, the original household income threshold of \$40,000 remains unchanged and has been adjusted annually for inflation since January 1, 2002. The current household income limit that has been adjusted for inflation is \$67,355. Should this annual household income limit also be updated in statute?

**Costs:** The BOE would incur costs of approximately \$1,734 and 21 personnel hours to update claim forms; amend the annual Letter to Assessors, which provides annual exemption amounts, adjusted for inflation, and the annual household income limit, adjusted for inflation, Assessors' Handbook Section [267, Welfare, Church, and Religious Exemptions](#); and [Publication 149, Property Tax Welfare Exemption](#).

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<sup>3</sup> Board of Equalization, [Letter To Assessor No. 2021/018](#), May 10, 2021.

<sup>4</sup> Board of Equalization, Open Data Portal, [Table 8](#).

**Revenue Impact:** This estimate is based on the 2022 exemption amounts and the 2021-22 number of veterans receiving the exemption. The 2022 basic exemption amount is \$149,993 with 58,990 veterans receiving the exemption. Factoring in the proposed basic exemption of \$200,000, the result is an estimated \$2.9 billion in increased exempt value ( $(\$200,000 - \$149,993) \times 58,990$  exemptions)).

The 2022 low-income exemption amount is \$224,991 with 4,978 exemptions. Factoring in the proposed basic exemption of \$300,000, the result is an estimated \$0.4 billion in increased exempt value ( $(\$300,000 - \$224,991) \times 4,978$  exemptions)).

Total estimated increase in exempt value is \$3.3 billion (\$2.9 billion basic + \$0.4 billion low-income).

The estimated revenue loss at the 1 percent tax rate is \$33.3 million ( $1\% \times \$3.3$  billion).

**Qualifying remarks:**

Since being adjusted for inflation with the 2002 lien date<sup>5</sup>, the exemption amounts have always increased.<sup>6</sup> If the 2023 lien date amount also increases and the number of exemption claims increases, stay the same or declines, then the annual revenue impact could be greater than or less than the above \$33.3 million estimate.

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<sup>5</sup> Section 205.5, subd. (h).

<sup>6</sup> Board of Equalization, [Letter To Assessor No. 2021/018](#), May 10, 2021.