California State
Board of Equalization

Legislative Bill Analysis

SB 296 (Archuleta)
Date: Amended 07/01/26 and 08/13/26
Program: Property Taxes
Revenue and Taxation Code Section 205.5.1
Effective: Upon enactment, effective 01/01/27

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Summary: Senate Bill (SB) 296 would add section 205.5.1 to the Revenue and Taxation Code (RTC) thereby suspending most of the current Disabled Veterans basic and low-income exemptions and instead enacts a substitute Disabled Veterans' Exemption, which applies commencing on the January 1, 2027, lien date and ending before the January 1, 2032, lien date.

Summary of Amendments:

August 13, 2026: This amendment states that SB 296 would exempt from taxation, as provided, 50% of that part of the full value of the property that does not exceed $1,000,000 that is 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.

July 1, 2026: These amendments included the following:

- Exempts from property tax 50% of the full value of property owned by, and that constitutes the principal place of residence of, a veteran, the veteran's spouse, or jointly held property, if the veteran is 100% disabled.
- Provides a 100% exemption for such property in the case of a 100% disabled veteran or unmarried surviving spouse whose household income does not exceed $83,474, as adjusted for the relevant assessment year.
- Applies the exemptions for property tax lien dates occurring on or after January 1, 2027, but before January 1, 2032; provides that the existing Disabled Veterans' Exemption applies instead of the expanded exemptions if the property does not exceed $371,778 of assessed value and the veteran's household income exceeds $83,474, as adjusted; and extends the exemptions to a veteran's unmarried surviving spouse under certain conditions.
- Requires the claimant to provide the county assessor with military documentation of the veteran's disability rating to receive the exemption.
- Declares the goal of the expanded exemption and requires, by June 1, 2027, and annually thereafter, the State Board of Equalization (BOE) to annually collect certain performance data from county assessors and report the data to the Legislature until June 1, 2031.

July 3, 2025: These amendments clarified an exemption condition to specifically state that (i) The veteran is blind in both eyes, has lost the use of two or more limbs, or is totally disabled as a result of injury or disease incurred in military service.

Fiscal Impact Summary: Estimated potential local annual revenue loss of $197 million. This is an increase of approximately $31 million when compared to the current Disabled Veterans' basic and low-income exemptions.

Existing Law: The California Constitution[1] 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[2] 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.[3] For the lien date 2027, the basic exemption amount is $185,889, and the low-income exemption amount is $278,836 for claimants with a household income below $83,474.

Proposed Law: In lieu of the property exemption in section 205.5, for property tax lien dates occurring on or after January 1, 2027, but occurring before January 1, 2032, this bill would exempt from taxation, as provided, 50% of that part of the full value of the property that does not exceed $1,000,000 that is 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.

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.

[1] Section 4(a) of Article XIII of the California Constitution.

[2] Revenue and Taxation Code (RTC) section 205.5.

[3] 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.

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% 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, 2031 (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, 2027. (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 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.

Commentary:

1. **This bill 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 with certain percentage-based and income-based exemption of the assessed value of the property for disabled veteran claimants.

2. **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.

3. **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.

4. **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, 2027.

5. **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.

6. **Related Legislation.** AB 2022 (Gonzalez) from this session is identical to this bill, except for the $1,00,000 property value limitation. AB 2022 was held on suspense in the Senate Appropriations Committee. SB 888 (Seyarto) proposed removing 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. This bill was also held on suspense in the Senate Appropriations committee this session.

7. **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 BOE would incur costs of approximately $8,000 for fiscal year 2026-27, $3,000 for fiscal year 2027-28, and $3,000 ongoing.

Revenue Impact:

Current Disabled Veterans' Exemption

According to 2025-26 BOE data, 91,545 disabled veterans received the basic exemption ($175,298), amounting to an estimated $15.2 billion in basic exempt value.

In 2025-26, the low-income limit was $78,718, and 5,749 disabled veterans received the low-income exemption ($262,950), amounting to an estimated $1.4 billion in low-income exempt value. Total estimated exempt value adds up to $16.6 billion ($15.2 billion + $1.4 billion), and based on the 1% property tax rate, property tax is estimated to be $166 million (1% × $16.6 billion).

Household income below the low-income threshold, 100% exemption.

Based on county veterans' and Homeowners' Exemption data compiled and analyzed by BOE staff, the average assessed value of the primary residence of totally disabled veterans is estimated to be $407,447. Factoring in the 5,749 low-income exemptions, total assessed value is estimated to be $2.3 billion ($407,447 × 5,749 low-income disabled exemptions), and the total property tax revenue loss is estimated to be $23 million (1% × $2.3 billion).

Property does not exceed $371,778 of full value.

At the time of preparing this analysis, staff had no data or estimates on the number of properties with assessed value of $371,778 or less. Even though some counties such as San Diego, Riverside, and San Bernardino dominate the disabled veteran homeowner population, disabled veterans reside across all 58 counties, and the assessed values vary across the 58 counties. As an order of magnitude, staff looked at all counties that have average assessed values below $371,778 and assumed that this may be reflective of where most disabled homeowners with $371,778 or less assessed value reside. The estimated 34 counties represent about 46% of total disabled veteran homeowner population. Forty-six percent of 91,545 basic exemption disabled veterans is 42,111 disabled veterans. Given the basis of this estimate is 2025-26 data, the 2025-26 basic exemption amount ($175,298) is applied. Total assessed value is estimated to be $7.4 billion ($175,298 × 42,111 disabled veterans) and the total property tax revenue loss is estimated to be $74 million (1% × $7.4 billion).

Fifty percent of the full value property exemption

In relation to disabled veterans that do not meet either of the above discussed exemption scenarios, 50% of their assessed value is proposed to be exempt if certain conditions are met. The basis for the estimate is $203,724 in assessed value (50% x $407,447 average assessed value) and 49,434 disabled veterans (91,545 basic exemption pool – 42,111 in the $371,778 pool). Total assessed value is estimated to be $10 billion ($203,724 × 49,434 disabled veterans, current basic exemption pool), and the total property tax revenue loss is estimated to be $100 million (1% × $10 billion).

Suspending the current disabled exemptions and replacing them with the AB 2022 proposal would result in an estimated $197 million annual property tax revenue loss ($23 million + $74 million + $100). As discussed earlier, the current exemption structure results in estimated $166 million revenue loss, and the difference in relation to SB 296 is $31 million ($197 - $166 million).

Revenue Summary

SB 296 would result in an estimated $197 million annual property tax revenue loss. Compared to the basic and low-income exemptions under current law, estimated at $166 million, this bill would result in an estimated revenue loss increase of $31 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).