California State Board of Equalization

Legislative Bill Analysis

Assembly Bill 2022 (J. Gonzalez)
Date: Amended 06/04/26
Program: Property Taxes
Revenue and Taxation Code Section 205.5.1
Effective: Upon enactment, immediately

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Summary: Assembly Bill (AB) 2022 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.

As Amended June 4:

The June 4 amendment enacts a substitute Disabled Veterans' Exemption, which is effective on the January 1, 2027, lien date and ending before the January 1, 2032, lien date. Under AB 2022's exemption, disabled veterans eligible for the current low-income exemption are instead exempt from property tax on their principal residence. Those disabled veterans eligible for the basic exemption are instead exempt on 50% on the full value of their principal residence, unless the value of their residence is less than $371,778, in which case the exemption amount defaults back to the exemption amount under current law.

The June 4 amendment also modified the statutory annual low-income cap of $40,000 and amended it to reflect its inflationary updated value of $83,474. The assessed value of $200,000 or more for basic exemption is now reflected as $371,778 as adjusted for inflation. These updates will have a corresponding increase in exemption amounts for disabled veteran taxpayers.

As Amended April 29:

Proposes a 50% property tax exemption of assessed value for property owned by and constituting the principal place of residence of a veteran, the veteran's spouse, or the veteran and the veteran's spouse jointly.

Proposes a 100% property tax exemption of assessed value for a low-income qualified and 100% disabled veteran applicant or an unmarried surviving spouse if household income does not exceed $40,000.

Allows a household with income over $40,000, as adjusted and with property not exceeding $200,000 of assessed value, to seek an exemption under RTC section 205.5.

Limits the proposed exemptions to tax lien dates occurring on or after January 1, 2027, and before January 1, 2032.

Requires the State Board of Equalization (BOE), where data is available, to annually collect certain performance data from County Assessors and report the data to the Legislature.

Fiscal Impact Summary: Under the AB 2022 proposal, suspending the current basic and low-income exemptions and replacing them with the AB 2022 proposal would result in an estimated $197 million annual property tax revenue loss.

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:

Assembly Bill 2022 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. Under AB 2022's exemption:

- Disabled veterans eligible for the current low-income exemption are instead exempt from property tax on their principal residence. The 2027 low-income amount is $83,474.

- Those disabled veterans eligible for the basic exemption are instead exempt on 50% of the full value of their principal residence, unless the value of their residence is less than $371,778, in which case the exemption amount defaults back to the exemption under current law. In 2027, that exemption amount is $185,889.

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 (USDVA) or the military service from which the

[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.

veteran was discharged is 100% (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 AB 2022, 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 must have (or have had) specified injuries, or the claimant must obtain a USDVA disability rating that either (1) rates the veteran's disability at 100% or (2) rates the veteran's disability compensation at 100% 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 (such as the service person was not a veteran) and (2) veterans without a 100% rating when alive but whose cause of death is deemed service connected. In addition, surviving spouses of veterans with specified injuries or a 100% 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 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 with a household income under $83,474 as adjusted.

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. In addition, the notice shall include the penalties if the taxpayer allows the exemption to continue when he or she is not eligible for the exemption, and their duty to inform the assessor when they are 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. **How much is the exemption currently?** The exemption amount depends upon the claimant's income. 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. In some cases, these exemption amounts may result in a full exemption depending on the assessed value of the property.

6. **How many persons claim the Disabled Veterans' Exemptions?** For 2025-26, 97,294 exemptions were granted to eligible claimants (91,545 basic exemptions and 5,749 low-income exemptions). This is the disabled veteran population that meets the requirements and criteria set by AB 2022. The revenue analysis below is based on the 97,294 population.

7. **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.

8. **Related Legislation.** In 2025, Senate Bill (SB) 23 (Valladares) and SB 296 (Archuleta) proposed to fully exempt from property tax the principal residence of a veteran, the veteran's spouse, or the veteran and spouse jointly, when the veteran is 100% disabled. Both bills failed passage where SB 23 died as a two-year bill in its first house, and SB 296 was held on suspense in the Assembly Revenue and Taxation Committee. Additionally, SB 56 (Seyarto - 2025) proposed to exclude a disabled veteran's disability payments from the definition of household income, but

the bill was held on the suspense file in the Assembly Revenue and Taxation Committee. This proposal has been reintroduced in SB 888 (Seyarto) this year.

9. **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.

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).

Revenue Summary

The AB 2022 proposal would result in an estimated $197 million annual property tax revenue loss.

Qualifying Remarks

For calculating revenue impact, staff assumes the total number of Disabled Veteran Exemptions includes all that qualify pursuant to RTC section 205.5(e).

The above revenue impact only accounts for existing Disabled Veterans' Exemption. Any future Disabled Veterans' Exemption granted will increase the revenue loss.

This revenue estimate does not account for any changes in economic activity that may or may not result from the enactment of the proposed law.