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**SB-56 Property taxation: disabled veterans' exemption: household income.** (2025-2026)

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CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

**SENATE BILL**

**NO. 56**

Introduced by Senator Seyarto

(Coauthors: Senators Alvarado-Gil, Dahle, Niello, ~~and Ochoa Bogh~~) *Ochoa Bogh, Rubio, and Wahab*)

(Coauthors: Assembly Members Alanis, *Dixon*, Jeff Gonzalez, Hadwick, Lackey, ~~and Wallis~~) *Wallis, and Schiavo*)

January 07, 2025

An act to ~~amend~~ *amend, repeal, and add* Section 205.5 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

**LEGISLATIVE COUNSEL'S DIGEST**

SB 56, as amended, Seyarto. Property taxation: disabled veterans' exemption: household income.

The California Constitution provides that all property is taxable, and requires that it be assessed at the same percentage of fair market value, unless otherwise provided by the California Constitution or federal law. The California Constitution and existing property tax law provide various exemptions from taxation, including, among others, a disabled veterans' exemption. Under existing law, the disabled veterans' exemption exempts from taxation part of the full value of property that constitutes the principal place of residence of a veteran, the veteran's spouse, or the veteran and veteran's spouse jointly, and the unmarried surviving spouse of a veteran, as provided, if the veteran incurred specified injuries or died while on active duty in military service, as described. Existing law exempts that part of the full value of the residence that does not exceed \$100,000, or \$150,000 if the household income of the claimant does not exceed \$40,000, as adjusted for inflation, as specified.

This bill ~~would~~ *would, until January 1, 2036*, exclude service-connected disability payments from the definition of "household income" for purposes of the disabled veterans' exemption. The bill would also correct an erroneous cross-reference in the above-described provisions. By imposing additional duties on local tax officials, the bill would impose a state-mandated local program.

*Existing law requires any bill authorizing a new tax expenditure to contain, among other things, specific goals, purposes, and objectives that the tax expenditure will achieve, detailed performance indicators, and data collection requirements.*

*This bill would include additional information required for any bill authorizing a new tax expenditure.*

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

Existing law requires the state to reimburse local agencies annually for certain property tax revenues lost as a result of any exemption or classification of property for purposes of ad valorem property taxation.

This bill would provide that, notwithstanding those provisions, no appropriation is made and the state shall not reimburse local agencies for property tax revenues lost by them pursuant to the bill.

This bill would take effect immediately as a tax levy.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: yes

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## THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

**SECTION 1.** Section 205.5 of the Revenue and Taxation Code is amended to read:

**205.5.** (a) Property that constitutes the principal place of residence of a veteran, that is owned by the veteran, the veteran's spouse, or the veteran and the veteran's spouse jointly, is exempted from taxation on that part of the full value of the residence that does not exceed one hundred thousand dollars (\$100,000), as adjusted for the relevant assessment year as provided in subdivision (i), if the veteran is blind in both eyes, has lost the use of two or more limbs, or if the veteran is totally disabled as a result of injury or disease incurred in military service. The ~~one hundred thousand dollar~~ *one-hundred-thousand-dollar* (\$100,000) exemption shall be one hundred fifty thousand dollars (\$150,000), as adjusted for the relevant assessment year as provided in subdivision (i), in the case of an eligible veteran whose household income does not exceed the amount of forty thousand dollars (\$40,000), as adjusted for the relevant assessment year as provided in paragraph (2) of subdivision (h).

(b) (1) For purposes of this section, "veteran" means either of the following:

(A) A person who is serving in or has served in and has been discharged under other than dishonorable conditions from service in the United States Army, Navy, Air Force, Marine Corps, Space Force, or Coast Guard, and served either in time of war or in time of peace in a campaign or expedition for which a medal has been issued by Congress, or in time of peace and because of a service-connected disability was released from active duty, and who has been determined by the United States Department of Veterans Affairs to be eligible for federal veterans' health and medical benefits.

(B) Any person who would qualify as a veteran pursuant to subparagraph (A) except that they have, as a result of a service-connected injury or disease, died while on active duty in military service. The United States Department of Veterans Affairs shall determine whether an injury or disease is service connected.

(2) For purposes of this section, property is deemed to be the principal place of residence of a veteran, disabled as described in subdivision (a), who is confined to a hospital or other care facility, if that property would be that veteran's principal place of residence were it not for their confinement to a hospital or other care facility, provided that the residence is not rented or leased to a third party. For purposes of this paragraph, a family member who resides at the residence is not a third party.

(c) (1) Property that is owned by, and that constitutes the principal place of residence of, the unmarried surviving spouse of a deceased veteran is exempt from taxation on that part of the full value of the residence that does not exceed one hundred thousand dollars (\$100,000), as adjusted for the relevant assessment year as provided in subdivision (i), in the case of a veteran who was blind in both eyes, had lost the use of two or more limbs, or was totally disabled provided that either of the following conditions is met:

(A) The deceased veteran during their lifetime qualified for the exemption pursuant to subdivision (a), or would have qualified for the exemption under the laws effective on January 1, 1977, except that the veteran died prior to January 1, 1977.

(B) The veteran died from a disease that was service connected as determined by the United States Department of Veterans Affairs.

The ~~one hundred thousand dollar~~ *one-hundred-thousand-dollar* (\$100,000) exemption shall be one hundred fifty thousand dollars (\$150,000), as adjusted for the relevant assessment year as provided in subdivision (i), in the case of an eligible unmarried surviving spouse whose household income does not exceed the amount of forty thousand dollars (\$40,000), as adjusted for the relevant assessment year as provided in paragraph (2) of subdivision (h).

(2) Commencing with the 1994–95 fiscal year, property that is owned by, and that constitutes the principal place of residence of, the unmarried surviving spouse of a veteran as described in subparagraph (B) of paragraph (1) of subdivision (b) is exempt from taxation on that part of the full value of the residence that does not exceed one hundred thousand dollars (\$100,000), as adjusted for the relevant assessment year as provided in subdivision (i). The ~~one hundred thousand dollar~~ *one-hundred-thousand-dollar* (\$100,000) exemption shall be one hundred fifty thousand dollars (\$150,000), as adjusted for the relevant assessment year as provided in subdivision (i), in the case of an eligible unmarried surviving spouse whose household income does not exceed the amount of forty thousand dollars (\$40,000), as adjusted for the relevant assessment year as provided in paragraph (2) of subdivision (h).

(3) Beginning with the 2012–13 fiscal year and for each fiscal year thereafter, property is deemed to be the principal place of residence of the unmarried surviving spouse of a deceased veteran, who is confined to a hospital or other care facility, if that property would be the unmarried surviving spouse's principal place of residence were it not for their confinement to a hospital or other care facility, provided that the residence is not rented or leased to a third party. For purposes of this paragraph, a family member who resides at the residence is not a third party.

(d) As used in this section, "property that is owned by a veteran" or "property that is owned by the veteran's unmarried surviving spouse" includes all of the following:

(1) Property owned by the veteran with the veteran's spouse as a joint tenancy, tenancy in common, or as community property.

(2) Property owned by the veteran or the veteran's spouse as separate property.

(3) Property owned with one or more other persons to the extent of the interest owned by the veteran, the veteran's spouse, or both the veteran and the veteran's spouse.

(4) Property owned by the veteran's unmarried surviving spouse with one or more other persons to the extent of the interest owned by the veteran's unmarried surviving spouse.

(5) So much of the property of a corporation as constitutes the principal place of residence of a veteran or a veteran's unmarried surviving spouse when the veteran, or the veteran's spouse, or the veteran's unmarried surviving spouse is a shareholder of the corporation and the rights of shareholding entitle one to the possession of property, legal title to which is owned by the corporation. The exemption provided by this paragraph shall be shown on the local roll and shall reduce the full value of the corporate property. Notwithstanding any law or articles of incorporation or bylaws of a corporation described in this paragraph, any reduction of property taxes paid by the corporation shall reflect an equal reduction in any charges by the corporation to the person who, by reason of qualifying for the exemption, made possible the reduction for the corporation.

(e) For purposes of this section, being blind in both eyes means having a visual acuity of 5/200 or less, or concentric contraction of the visual field to 5 degrees or less; losing the use of a limb means that the limb has been amputated or its use has been lost by reason of ankylosis, progressive muscular dystrophies, or paralysis; and being totally disabled means that the United States Department of Veterans Affairs or the military service from which the veteran was discharged has rated the disability at 100 percent or has rated the disability compensation at 100 percent by reason of being unable to secure or follow a substantially gainful occupation.

(f) (1) The county assessor shall accept an electronically generated letter of service-connected disability in lieu of an original letter of service-connected disability, at the discretion of the claimant, for purposes of verifying eligibility for an exemption pursuant to this section.

(2) For purposes of this subdivision, "letter of service-connected disability" means a letter from the United States Department of Veterans Affairs that provides a benefit summary of the claimant's service-connected disability for purposes of claiming disabled veterans' exemptions.

(g) An exemption granted to a claimant pursuant to this section shall be in lieu of the veteran's exemption provided by subdivisions (o), (p), (q), and (r) of Section 3 of Article XIII of the California Constitution and any other real property tax exemption to which the claimant may be entitled. Other real property tax exemptions shall not be granted to any other person with respect to the same residence for which an exemption has been granted pursuant to this section. However, if two or more veterans qualified pursuant to this section coown a property in which they reside, each is entitled to the exemption to the extent of their interest.

(h) (1) For purposes of this section, "household income" shall not include service-connected disability payments.

(2) Commencing on January 1, 2002, and for each assessment year thereafter, the household income limit 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.

(i) Commencing on January 1, 2006, and for each assessment year thereafter, the exemption amounts set forth in subdivisions (a) and (c) 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.

(j) The amendments made to this section by Chapter 871 of the Statutes of 2016 shall apply for property tax lien dates for the 2017–18 fiscal year and for each fiscal year thereafter.

(k) The county assessor may provide written or electronic determination of preliminary eligibility for an exemption under this section.

*(l) It is the intent of the Legislature to apply the requirements of Section 41 to the act that added this subdivision. Therefore, the Legislature finds and declares the following with respect to the tax exemption provided by this section:*

*(1) The goals, purposes, and objectives of this act are to do the following:*

*(A) Remove the counterproductive requirement that also disqualifies.*

*(B) Provide that, under the law, the act of qualifying should never disqualify an individual from support or well-deserved benefits.*

*(C) Authorize veterans who qualify for this tax exemption to receive this tax exemption.*

*(2) Detailed performance indicators for the Legislature to use in determining whether the expanded disabled veterans' tax exemption meets the goals, purposes, and objectives described in paragraph (1) shall be the number of qualified claims under the disabled veterans' tax exemption reported each year by the State Board of Equalization pursuant to subparagraph (B) of paragraph (3).*

*(3) The data collection requirements for determining whether the expanded disabled veterans' exemption is meeting, failing to meet, or exceeding the specific goals, purposes, and objectives described in subparagraph (A) are as follows:*

*(A) The Board of Equalization shall use existing methods to track the number of claims under this section.*

*(B) On or before January 1, 2035, the State Board of Equalization shall submit to the Legislature, and publish on its internet website, a comparison of the number of claims under this section for each taxable year 2024 to 2033, inclusive, for the Legislature to use in determining whether the expanded disabled veterans' tax exemption meets the goals, purposes, and objectives of the act that added this subdivision.*

*(C) The report required to be submitted pursuant to subparagraph (B) shall be submitted in compliance with Section 9795 of the Government Code.*

*(m) This section shall remain in effect only until January 1, 2036, and as of that date is repealed.*

**SEC. 2.** Section 205.5 is added to the Revenue and Taxation Code, to read:

**205.5.** (a) Property that constitutes the principal place of residence of a veteran, that is owned by the veteran, the veteran's spouse, or the veteran and the veteran's spouse jointly, is exempted from taxation on that part of the full value of the residence that does not exceed one hundred thousand dollars (\$100,000), as adjusted for the relevant assessment year as provided in subdivision (i), if the veteran is blind in both eyes, has lost the use of two or more limbs, or if the veteran is totally disabled as a result of injury or disease incurred in military service. The one-hundred-thousand-dollar (\$100,000) exemption shall be one hundred fifty thousand dollars (\$150,000), as adjusted for the relevant assessment year as provided in subdivision (i), in the case of an eligible veteran whose household income does not exceed the amount of forty thousand dollars (\$40,000), as adjusted for the relevant assessment year as provided in subdivision (h).

(b) (1) For purposes of this section, "veteran" means either of the following:

*(A) A person who is serving in or has served in and has been discharged under other than dishonorable conditions from service in the United States Army, Navy, Air Force, Marine Corps, Space Force, or Coast Guard, and served either in time of war or in time of peace in a campaign or expedition for which a medal has been issued by Congress, or in time of peace*

and because of a service-connected disability was released from active duty, and who has been determined by the United States Department of Veterans Affairs to be eligible for federal veterans' health and medical benefits.

(B) Any person who would qualify as a veteran pursuant to subparagraph (A) except that they have, as a result of a service-connected injury or disease, died while on active duty in military service. The United States Department of Veterans Affairs shall determine whether an injury or disease is service connected.

(2) For purposes of this section, property is deemed to be the principal place of residence of a veteran, disabled as described in subdivision (a), who is confined to a hospital or other care facility, if that property would be that veteran's principal place of residence were it not for their confinement to a hospital or other care facility, provided that the residence is not rented or leased to a third party. For purposes of this paragraph, a family member who resides at the residence is not a third party.

(c) (1) Property that is owned by, and that constitutes the principal place of residence of, the unmarried surviving spouse of a deceased veteran is exempt from taxation on that part of the full value of the residence that does not exceed one hundred thousand dollars (\$100,000), as adjusted for the relevant assessment year as provided in subdivision (i), in the case of a veteran who was blind in both eyes, had lost the use of two or more limbs, or was totally disabled provided that either of the following conditions is met:

(A) The deceased veteran during their lifetime qualified for the exemption pursuant to subdivision (a), or would have qualified for the exemption under the laws effective on January 1, 1977, except that the veteran died prior to January 1, 1977.

(B) The veteran died from a disease that was service connected as determined by the United States Department of Veterans Affairs. The one-hundred-thousand-dollar (\$100,000) exemption shall be one hundred fifty thousand dollars (\$150,000), as adjusted for the relevant assessment year as provided in subdivision (i), in the case of an eligible unmarried surviving spouse whose household income does not exceed the amount of forty thousand dollars (\$40,000), as adjusted for the relevant assessment year as provided in subdivision (h).

(2) Commencing with the 1994–95 fiscal year, property that is owned by, and that constitutes the principal place of residence of, the unmarried surviving spouse of a veteran as described in subparagraph (B) of paragraph (1) of subdivision (b) is exempt from taxation on that part of the full value of the residence that does not exceed one hundred thousand dollars (\$100,000), as adjusted for the relevant assessment year as provided in subdivision (h). The one-hundred-thousand-dollar (\$100,000) exemption shall be one hundred fifty thousand dollars (\$150,000), as adjusted for the relevant assessment year as provided in subdivision (i), in the case of an eligible unmarried surviving spouse whose household income does not exceed the amount of forty thousand dollars (\$40,000), as adjusted for the relevant assessment year as provided in subdivision (h).

(3) Beginning with the 2012–13 fiscal year and for each fiscal year thereafter, property is deemed to be the principal place of residence of the unmarried surviving spouse of a deceased veteran, who is confined to a hospital or other care facility, if that property would be the unmarried surviving spouse's principal place of residence were it not for their confinement to a hospital or other care facility, provided that the residence is not rented or leased to a third party. For purposes of this paragraph, a family member who resides at the residence is not a third party.

(d) As used in this section, "property that is owned by a veteran" or "property that is owned by the veteran's unmarried surviving spouse" includes all of the following:

(1) Property owned by the veteran with the veteran's spouse as a joint tenancy, tenancy in common, or as community property.

(2) Property owned by the veteran or the veteran's spouse as separate property.

(3) Property owned with one or more other persons to the extent of the interest owned by the veteran, the veteran's spouse, or both the veteran and the veteran's spouse.

(4) Property owned by the veteran's unmarried surviving spouse with one or more other persons to the extent of the interest owned by the veteran's unmarried surviving spouse.

(5) So much of the property of a corporation as constitutes the principal place of residence of a veteran or a veteran's unmarried surviving spouse when the veteran, or the veteran's spouse, or the veteran's unmarried surviving spouse is a shareholder of the corporation and the rights of shareholding entitle one to the possession of property, legal title to which is owned by the corporation. The exemption provided by this paragraph shall be shown on the local roll and shall reduce the full value of the corporate property. Notwithstanding any law or articles of incorporation or bylaws of a corporation described in this paragraph, any reduction of property taxes paid by the corporation shall reflect an equal reduction in any charges by the corporation to the person who, by reason of qualifying for the exemption, made possible the reduction for the corporation.

(e) For purposes of this section, being blind in both eyes means having a visual acuity of 5/200 or less, or concentric contraction of the visual field to 5 degrees or less; losing the use of a limb means that the limb has been amputated or its use has been lost by reason of ankylosis, progressive muscular dystrophies, or paralysis; and being totally disabled means that the United States Department of Veterans Affairs or the military service from which the veteran was discharged has rated the disability at 100 percent or has rated the disability compensation at 100 percent by reason of being unable to secure or follow a substantially gainful occupation.

(f) (1) The county assessor shall accept an electronically generated letter of service-connected disability in lieu of an original letter of service-connected disability, at the discretion of the claimant, for purposes of verifying eligibility for an exemption pursuant to this section.

(2) For purposes of this subdivision, "letter of service-connected disability" means a letter from the United States Department of Veterans Affairs that provides a benefit summary of the claimant's service-connected disability for purposes of claiming disabled veterans' exemptions.

(g) An exemption granted to a claimant pursuant to this section shall be in lieu of the veteran's exemption provided by subdivisions (o), (p), (q), and (r) of Section 3 of Article XIII of the California Constitution and any other real property tax exemption to which the claimant may be entitled. Other real property tax exemptions shall not be granted to any other person with respect to the same residence for which an exemption has been granted pursuant to this section. However, if two or more veterans qualified pursuant to this section coown a property in which they reside, each is entitled to the exemption to the extent of their interest.

(h) Commencing on January 1, 2002, and for each assessment year thereafter, the household income limit 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 Department of Industrial Relations.

(i) Commencing on January 1, 2006, and for each assessment year thereafter, the exemption amounts set forth in subdivisions (a) and (c) 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 Department of Industrial Relations.

(j) The amendments made to this section by Chapter 871 of the Statutes of 2016 shall apply for property tax lien dates for the 2017–18 fiscal year and for each fiscal year thereafter.

(k) The county assessor may provide written or electronic determination of preliminary eligibility for an exemption under this section.

(l) This section shall become operative on January 1, 2036.

~~SEC. 2.~~**SEC. 3.** If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

~~SEC. 3.~~**SEC. 4.** Notwithstanding Section 2229 of the Revenue and Taxation Code, no appropriation is made by this act and the state shall not reimburse any local agency for any property tax revenues lost by it pursuant to this act.

~~SEC. 4.~~**SEC. 5.** This act provides for a tax levy within the meaning of Article IV of the California Constitution and shall go into immediate effect.

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REVISIONS:

Heading—Line 5.

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