

**OFFICE OF THE COUNTY ATTORNEY**  
**INTERNAL MEMORANDUM**

**To:** John Nibbelin, County Counsel  
**From:** Tom Westphal, Deputy  
**Subject:** Bill Summaries – AB 46 & SB 726  
**Date:** May 2, 2023

**I. AB 46: Military Services Retirement and Surviving Spouse Benefit Payment Act**

[Assembly Member James Ramos](#) (D-45) introduced [Assembly Bill \(AB\) 46](#) on December 5, 2022. If passed, the bill would amend the California Revenue and Taxation Code to exempt certain income related to military service from state income taxes for a ten-year period (January 1, 2024 thru January 1, 2034).

Under current law, California residents’ military retirement pay is taxable income. This bill would allow California taxpayers to exclude the following income from their total gross income for state tax determinations:

- Any federal retirement pay earned through service in any uniformed service<sup>1</sup>; and
- Payments made to surviving spouses or other plan beneficiaries of an [U.S. Department of Defense Survivor Benefit Plan](#).

The bill has three stated purposes: (1) honoring California veterans; (2) providing veterans financial incentives to remain in California; and (3) increasing the number of veterans in California’s workforce.

Asm. Ramos introduced similar bill—[AB 1623](#)—in the Assembly during last year’s session. That bill was held in the Assembly Appropriations Committee, likely over concerns about its impact to state tax revenues. The state’s Franchise Tax Board estimates AB 46 will result in general state revenue losses of approximately \$85 million per year. Local revenues will not be directly impacted.

[Asm. Berman](#) (D-23) is the only member of San Mateo County’s legislative delegation currently listed as a co-author. The bill is also supported by various veteran’s organizations such as the American Legion (California Department), California Association of Veterans Services Officers, and the Military Officers Association of America (California Chapters). It is also supported by the Monterey and San Bernadino County Governments.

AB 46 is currently pending in the Assembly Committee on Revenue and Taxation. The bill’s full text is [available here](#). The Committee on Revenue and Taxation’s bill analysis is available for [download here](#).

---

<sup>1</sup> The bill defines “uniformed service” to include: (1) all regular and reserve components of the U.S. Armed Forces (including the Coast Guard and the U.S. Space Force); (2) the Army National Guard and the Air National Guard; and (3) The commissioned corps of the U.S. Public Health Service and the National Oceanic and Atmospheric Administration Commissioned Officer Corps.

## II. SB 726: Property Tax Exemption for Disabled Veteran Homeowners

State Senators [Bob Archuleta](#) (D-30) and [Shannon Grove](#) (R-12) introduced [Senate Bill \(SB 726\)](#) on February 16, 2023. If enacted, the bill would amend the California Revenue and Taxation Code to exempt at least \$863,790 from the taxable value of a disabled veteran's home for a ten-year period (January 1, 2024 thru January 1, 2034).

Current California law exempts some disabled veterans from paying property tax on the first \$100,000 - \$150,000 of their homes' values. SB 726 would increase the tax-exempt portion of a disabled veteran's property to \$863,790 for 2024 (and revise this figure upward each subsequent year to account for inflation). Put another way, in 2024, a disabled veteran would not have to pay property taxes on the first \$863,790 of his or her home's assessed value.

The bill applies to both disabled veterans and the unmarried surviving spouses of disabled veterans. It defines "disabled veteran" as a person who:

- Is serving or has served in the U.S. Army, Navy, Air Force, Marine Corps, Coast Guard, or Space Force, and was discharged under any conditions except a dishonorable discharge; and
- The U.S. Department of Veterans Affairs (USVA) has determined is eligible for federal veterans' health and medical benefits; and
- Has either (1) become blind in both eyes; (2) lost use of at least one limb; and/or (3) has a USVA disability rating of 100%.

The bill's stated purpose is to reduce homelessness by providing financial benefits to disabled veteran homeowners.

If passed, the bill will reduce valuations for property taxes, resulting in reduced revenue for government entities that receive funding from those taxes. As a result, the state may be required to reimburse local entities for lost revenue.

SB 726 is not currently sponsored or co-authored by any members of San Mateo County's legislative delegation. It is supported by the California Association of Realtors and Veteran Strong USA, a veteran's advocacy organization.

SB 726 unanimously passed the Senate Committee on Government and Finance and is currently pending in the Senate Committee on Military and Veterans Affairs. The bill's full text is [available here](#). The Committee on Government and Finance's bill analysis is available for [download here](#).