

AMENDED IN SENATE APRIL 13, 2023

**SENATE BILL**

**No. 726**

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**Introduced by Senators Archuleta and Grove**  
**(Coauthors: Senators Alvarado-Gil and Seyarto)**  
(Coauthors: Assembly Members Chen and Davies)

February 16, 2023

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An act to add and repeal Section 205.5.1 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 726, as amended, Archuleta. Property taxation: exemption: disabled veteran homeowners.

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 and a veterans' organization exemption.

This bill would exempt from taxation, on that part of the full value of the residence that does not exceed \$863,790, as provided, property 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 bill would provide an unmarried surviving spouse a property exemption in the same amount that they would have been entitled to if the veteran was alive and if certain conditions are met. The bill would require certain documentation to be provided to the county assessor to receive the exemption and would prohibit any other real property tax exemption from being granted to the claimant if receiving the exemption provided by the provisions

of this bill. The bill would make these exemptions applicable for property tax lien dates occurring on or after January 1, 2024, but occurring before January 1, 2034. 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 state that it is the intent of the Legislature to apply those requirements to the bill and would set forth specified information relating to those requirements.

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.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 205.5.1 is added to the Revenue and  
2 Taxation Code, to read:  
3 205.5.1. (a) (1) In lieu of the property exemption in Section  
4 205.5, for property tax lien dates occurring on or after January 1,  
5 2024, but occurring before January 1, 2034, ~~property-owned by,~~  
6 ~~and that constitutes the principal place of residence of, a veteran,~~  
7 ~~the veteran's spouse, or the veteran and the veteran's spouse jointly,~~  
8 ~~shall be entitled to an exemption in accordance with the following:~~  
9 *shall be exempt from taxation on that part of the full value of the*  
10 *residence that does not exceed eight hundred sixty-three thousand*

1 *seven hundred ninety dollars (\$863,790), as adjusted for the*  
2 *relevant assessment year as provided in subdivision (e), if all of*  
3 *the following conditions are met:*

4 ~~(A) If the veteran is blind in both eyes or has lost the use of two~~  
5 ~~or more limbs as a result of injury or disease incurred in military~~  
6 ~~service and the disability rating by the United States Department~~  
7 ~~of Veterans Affairs or the military service from which the veteran~~  
8 ~~was discharged is 100 percent, then the property shall be exempt~~  
9 ~~from taxation on that part of the full value of the residence that~~  
10 ~~does not exceed eight hundred sixty-three thousand seven hundred~~  
11 ~~ninety dollars (\$863,790), as adjusted for the relevant assessment~~  
12 ~~year as provided in subdivision (e).~~

13 ~~(B) If the veteran is totally disabled as a result of injury or~~  
14 ~~disease incurred in military service, then the property shall be~~  
15 ~~exempt from taxation on that part of the full value of the residence~~  
16 ~~that does not exceed eight hundred sixty-three thousand seven~~  
17 ~~hundred ninety dollars (\$863,790), as adjusted for the relevant~~  
18 ~~assessment year as provided in subdivision (e).~~

19 ~~(A) The property is owned by and constitutes the principal place~~  
20 ~~of residence of a veteran, the veteran's spouse, or the veteran and~~  
21 ~~the veteran's spouse jointly.~~

22 ~~(B) The veteran is blind in both eyes or has lost the use of two~~  
23 ~~or more limbs as a result of injury or disease incurred in military~~  
24 ~~service and the disability rating by the United States Department~~  
25 ~~of Veterans Affairs or the military service from which the veteran~~  
26 ~~was discharged is 100 percent.~~

27 ~~(C) The veteran is totally disabled as a result of injury or disease~~  
28 ~~incurred in military service.~~

29 (2) For purposes of this subdivision, property is deemed to be  
30 the principal place of residence of a veteran, disabled as described  
31 in paragraph (1), who is confined to a hospital or other care facility,  
32 if that property would be that veteran's principal place of residence  
33 were it not for their confinement to a hospital or other care facility,  
34 provided that the residence is not rented or leased to a third party.  
35 For purposes of this paragraph, a family member who resides at  
36 the residence is not a third party.

37 (b) (1) Property that is owned by, and that constitutes the  
38 principal place of residence of, the unmarried surviving spouse of  
39 a deceased veteran is exempt from taxation in the same amount  
40 that the veteran or veteran's spouse would have been entitled to

1 in subdivision (a) if the veteran was alive, in the case of a veteran  
2 who was blind in both eyes, had lost the use of two or more limbs,  
3 or was totally disabled, provided that either of the following  
4 conditions is met:

5 (A) The deceased veteran, during their lifetime, qualified for  
6 the exemption pursuant to subdivision (a), or would have qualified  
7 for the exemption under the laws effective on January 1, 2024,  
8 except that the veteran died prior to January 1, 2024. The veteran  
9 ~~shall~~ *must* have been a resident of this state on January 1 of the  
10 year in which they died.

11 (B) The veteran died from an injury or disease that was  
12 service-connected as determined by the United States Department  
13 of Veterans Affairs, and the veteran was a resident of this state on  
14 January 1 of the year in which they died.

15 (2) (A) Property is deemed to be the principal place of residence  
16 of the unmarried surviving spouse of a deceased veteran, who is  
17 confined to a hospital or other care facility, if that property would  
18 be the unmarried surviving spouse's principal place of residence  
19 were it not for their confinement to a hospital or other care facility,  
20 provided that the residence is not rented or leased to a ~~third party~~.  
21 ~~For purposes of this paragraph, a family member who resides at~~  
22 ~~the residence is not a third party.~~ *person other than a member of*  
23 *the deceased veteran's family, as defined by paragraph (4) of*  
24 *subsection (c) of Section 267 of the Internal Revenue Code.*

25 (B) Property is deemed to be the principal place of residence  
26 of the unmarried surviving spouse of a deceased veteran only if  
27 the property was the principal place of residence of the veteran  
28 when they died.

29 (c) For purposes of this section, all of the following definitions  
30 apply:

31 (1) "Blind in both eyes" means having a visual acuity of 5/200  
32 or less, or concentric contraction of the visual field to 5 degrees  
33 or less.

34 (2) "Loss of the use of a limb" means that the limb has been  
35 amputated or its use has been lost by reason of ankylosis,  
36 progressive muscular dystrophies, or paralysis.

37 (3) "Totally disabled" means the United States Department of  
38 Veterans Affairs or the military service from which the veteran  
39 was discharged has rated the disability at 100 percent or has rated

1 the disability compensation at 100 percent by reason of being  
2 unable to secure or follow a substantially gainful occupation.

3 (4) “Veteran” means either of the following:

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

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

19 (5) “Property that is owned by a veteran” or “property that is  
20 owned by the veteran’s unmarried surviving spouse” includes all  
21 of the following:

22 (A) Property owned by the veteran with the veteran’s spouse  
23 as a joint tenancy, tenancy in common, or as community property.

24 (B) Property owned by the veteran or the veteran’s spouse as  
25 separate property.

26 (C) Property owned with one or more other persons to the extent  
27 of the interest owned by the veteran, the veteran’s spouse, or both  
28 the veteran and the veteran’s spouse.

29 (D) Property owned by the veteran’s unmarried surviving spouse  
30 with one or more other persons to the extent of the interest owned  
31 by the veteran’s unmarried surviving spouse.

32 (E) So much of the property of a corporation as constitutes the  
33 principal place of residence of a veteran or a veteran’s unmarried  
34 surviving spouse when the veteran, or the veteran’s spouse, or the  
35 veteran’s unmarried surviving spouse is a shareholder of the  
36 corporation and the rights of shareholding entitle one to the  
37 possession of property, legal title to which is owned by the  
38 corporation. The exemption provided by this paragraph shall be  
39 shown on the local roll and shall reduce the full value of the  
40 corporate property. Notwithstanding any law or articles of

1 incorporation or bylaws of a corporation described in this  
2 paragraph, any reduction of property taxes paid by the corporation  
3 shall reflect an equal reduction in any charges by the corporation  
4 to the person who, by reason of qualifying for the exemption, made  
5 possible the reduction for the corporation.

6 (d) In order to receive the exemption provided in this section,  
7 the claimant shall provide the county assessor documentation,  
8 including a letter from the United States Department of Veterans  
9 Affairs or the military service from which the veteran was  
10 discharged demonstrating the veteran's disability rating, sufficient  
11 to demonstrate the claimant's eligibility for the exemption.

12 (e) Commencing on the effective date of the act adding this  
13 subdivision, and for each assessment year thereafter, the exemption  
14 amounts set forth in subparagraphs (A) and (B) of paragraph (1)  
15 of subdivision (a) shall be compounded annually by an inflation  
16 factor that is the annual percentage change, measured from  
17 February to February of the two previous assessment years,  
18 rounded to the nearest one-thousandth of 1 percent, in the  
19 California Consumer Price Index for all items, as determined by  
20 the California Department of Industrial Relations.

21 (f) An exemption granted to a claimant pursuant to this section  
22 shall be in lieu of the veteran's exemption provided by subdivisions  
23 (o), (p), (q), and (r) of Section 3 of Article XIII of the California  
24 Constitution, Section 205.5 of this code, and any other real property  
25 tax exemption to which the claimant may be entitled. Any other  
26 real property tax exemption shall not be granted to any other person  
27 with respect to the same residence for which an exemption has  
28 been granted pursuant to this section. However, if two or more  
29 veterans qualified pursuant to this section coown a property in  
30 which they reside, each is entitled to the exemption to the extent  
31 of their interest.

32 (g) This section shall remain in effect only until January 1, 2035,  
33 and as of that date is repealed.

34 SEC. 2. (a) It is the intent of the Legislature to apply the  
35 requirements of Section 41 of the Revenue and Taxation Code  
36 with respect to the exemption under Section 205.5.1 of the Revenue  
37 and Taxation Code, as added by this act.

38 (b) The goal, purpose, and objective of the exemption is to  
39 reduce homelessness by providing a tax exemption to 100 percent  
40 disabled veteran homeowners.

1 (c) (1) To assist the Legislature in determining whether the  
2 exemption allowed by this act fulfills the goal, purpose, and  
3 objective as described in subdivision (b), the State Board of  
4 Equalization shall, to the extent data is available from county  
5 assessors, annually collect and report to the to the Legislature,  
6 pursuant to paragraph (2), data from county assessors to quantify  
7 the amount of assessed value exempted and the number and type  
8 of taxpayers granted this exemption.

9 (2) By June 1, 2025, and every June 1 thereafter until June 1,  
10 2034, the State Board of Equalization shall report this information  
11 to the Legislature in accordance with Section 9795 of the  
12 Government Code.

13 SEC. 3. If the Commission on State Mandates determines that  
14 this act contains costs mandated by the state, reimbursement to  
15 local agencies and school districts for those costs shall be made  
16 pursuant to Part 7 (commencing with Section 17500) of Division  
17 4 of Title 2 of the Government Code.

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

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