



Understanding Prop. 19 and Its Implementation

Santa Clara County

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SERVICE AND EXEMPTIONS

Housekeeping

- Recording
 - Today's meeting is being recorded.
- Q & A
 - To submit questions, please select the Q & A function at the bottom of your screen.

Disclaimer

The information provided is intended to provide general and summary information about Proposition 19. It is not intended to be a legal interpretation or official guidance, or relied upon for any purpose, but is instead a presentation of summary information. Proposition 19 is a constitutional amendment, so additional legislation, regulations, and statewide guidance are expected to clarify its implementation. If there is a conflict between the information provided here and the proposition or any legal authorities implementing or interpreting the proposition, the text of the proposition and the other implementing or interpretive authorities will prevail. We encourage you to consult an attorney for advice on your specific situation.

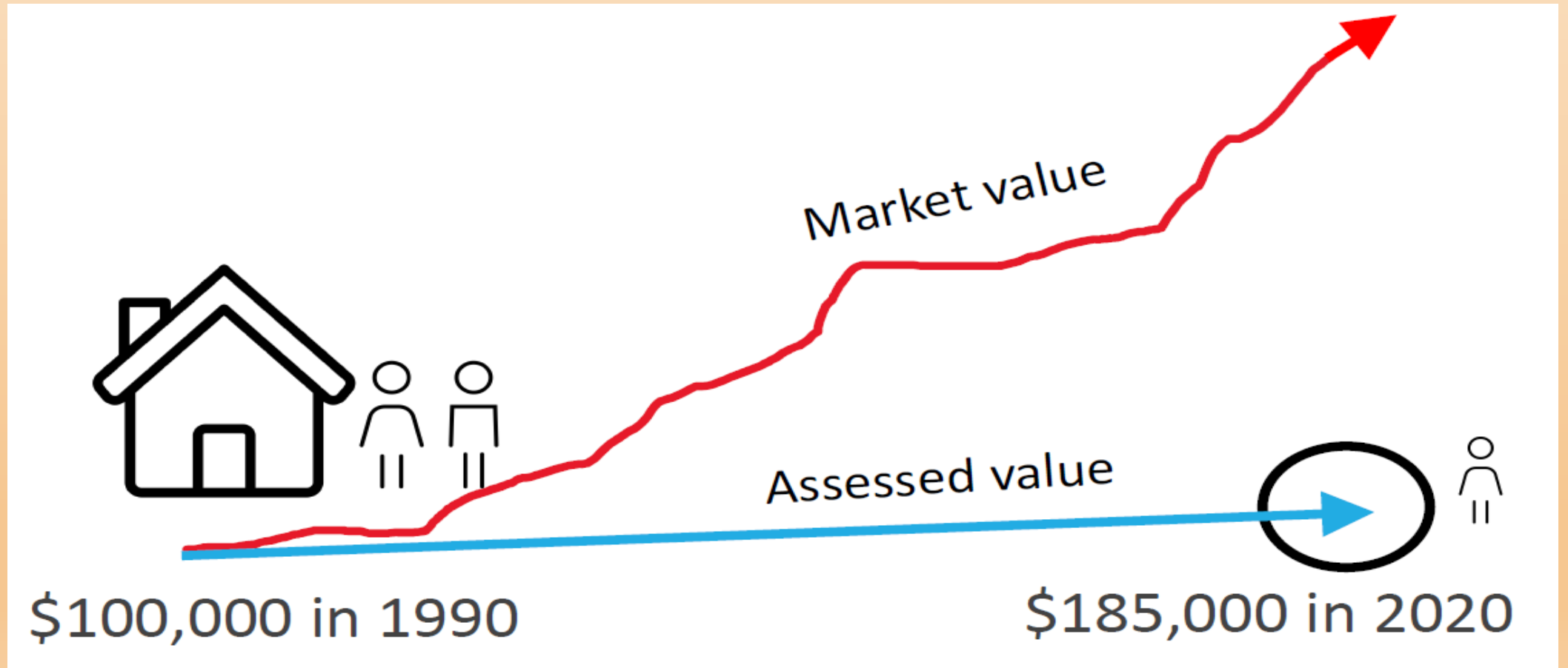
Parent and child exclusion from reassessment (Prop. 58)

- Effective date November 6, 1986
- Revenue and Taxation Code Section 63.1
- Transfer principal residence between parents and children without reassessment, regardless of value
- No restrictions on use of the property after transfer
- Transfer up to \$1,000,000 in assess value of properties, other than principal residence (rental properties), without reassessment

Grandparent to grandchild exclusion from reassessment (Prop. 193)

- Effective date March 27, 1996
- Revenue and Taxation Code Section 63.1
- Transfer principal residence between grandparent to grandchild only without reassessment regardless of value
- No restrictions on use of the property after transfer
- All the parents of the grandchild must be deceased as of the date of transfer.

Proposition 58 and 193 Exclusions



Question 1:

What is Prop. 19 and what are some changes to current law because of Prop. 19?

Prop. 19

- Approved by California voters on 11/03/20.
- Adds Sections 2.1, 2.2, and 2.3 to Article XIII A of the California Constitution.
- Changes provisions on the parent-child and grandparent-grandchild exclusions effective **2/16/21**.
- Adds new provisions for base year transfers effective **4/1/21**.

Question 2:

What are the changes under Prop. 19 effective February 16, 2021?

Prop. 19

- Limits exclusion to family farm or family home
- Family Home: Principal residence of both transferor and transferee
- Adds value test for family homes: Factor Based Year Value (FBYV) + \$1 million

Comparison of current and future law?

- Transfer principal residence between parents and children without reassessment regardless of value.
 - New law: Value limit of current taxable value plus \$1,000,000.
- No restrictions on use of property after transfer.
 - New law: Transferee must use property as principal residence after transfer.
- Transfer up to \$1,000,000 in assessed value of properties other than principal residence (rental properties) without reassessment.
 - New law: Only principal residence is eligible. Eliminates exclusion for other real property.

Prop. 19 Value Test

1. Calculate the sum of FBV + \$1,000,000.
2. Determine whether the assessed value exceeds the sum of the FBV + \$1,000,000.
3. Calculate the difference.
4. Add difference to FBV.

Prop. 19 Value Test - Example

A single-family residence has a factored base year value of \$425,738. Parent dies on March 1, 2021, and property is inherited by parent's only child. The property was the principal residence of both parents and child. On parent's date of death, property has a fair market value of \$1,750,000.

1-Calculate the sum of factored based year value plus \$1,000,000

$$\mathbf{\$425,738 + \$1,000,000 = \$1,425,738}$$

2-Determine whether the assessed value exceeds the sum of the factored base year value plus \$1,000,000

$$\mathbf{\$1,750,000 \text{ is greater than } \$1,425,738}$$

3-Calculate the difference

$$\mathbf{\$1,750,000 - \$1,425,738 = \$324,262}$$

4-Add difference to factored base year value

$$\mathbf{\$425,738 + \$324,262 = \$750,000 \text{ (New combined base year value)}}$$

Prop. 19 – Filing Requirements

- Transferee must claim the homeowner's or disabled veteran's exemption at the time of the purchase or transfer of the family home.
- If not filed at the time of purchase or transfer, the transferee has one year from the date of purchase or transfer to file the claim for the homeowner's or disabled veteran's exemption.

Question 3:

What should I consider if I want to take advantages of the existing law before February 16, 2021?

Consideration

- Other financial/tax impacts
- Property right
- Seek professional advice and help
- Don't wait until last minute

Question 4:

If I transfer my property to my children now, what other tax consequences do I need to be aware of?

Tax Consequences

- Income Tax
- Gift Tax
- Estate Tax

Additional Resources

- Visit: <https://www.sccassessor.org>
- State Board of Equalization Letter to Assessor No.2020/061