

# Proposition 19

**The Home Protection for Seniors, Severely disabled, Families, and Victims of Wildfire or Natural Disasters Act.**

# What is Proposition 19

On November 3, 2020, California voters approved Proposition 19, the “Home Protection for Seniors, Severely Disabled, Families and Victims of Wildfire or Natural Disasters Act”. Proposition 19 is a constitutional amendment that allows homeowners who are at least 55 years of age, disabled, or victims of a wildfire or natural disaster to transfer their assessed value of their primary home to a newly purchased, or newly constructed replacement primary residence in any county up to 3 times, but also limits the base year value transfer exclusion (parent to child and grandparent to grandchild) to only the family home that is, and will be used as the primary residence.

## The new law will make important changes to two existing statewide property tax saving programs:

- ▶ Proposition 19 will replace Proposition 58(1986) and Proposition 193(1996) by limiting Parent-to-Child transfer and Grandparent-to-Grandchild transfer exclusions – **Effective February 16, 2021.**
- ▶ Proposition 19 will replace Proposition 60 (1986) and Proposition 90 (1988) programs for home transfer by persons at least age 55 or severely disabled persons – **Effective April 1, 2021.**

## Inheriting Property Tax Base

Under Proposition 19, a child or children may inherit the lower property tax base from the parent(s) **ONLY** if the property is the primary residence of the parent(s) and the child or children make it their primary residence within one year.

## Transfer of Property Tax Base

The other component of Proposition 19 allows homeowners who are over 55 years of age, disabled, or victims of a wildfire or natural disaster, to transfer their lower assessed property value of their primary home to a newly purchased, or newly constructed replacement primary residence up to 3 times. The tax base may be transferred to a property located anywhere in the state.

# Changes to Parent-and-Child and Grandparent-to-Grandchild Transfer Exclusions.

(Effective February 16, 2021)

Current law, **Prop. 58 & Prop. 193**, allows a parent(s), and in certain cases Grandparent(s), to transfer their existing property assessments of a primary residence of any value without triggering a re-assessment, which is generally required upon a change in ownership – even if the property is used as a rental property by the child(ren). Current law also allows for the inheritance of property assessments for up to \$1 Million in additional real estate, whether residential, commercial, industrial or agricultural.

## **Under Proposition 19, in order to inherit the lower property assessment of the parent(s) or Grandparent(s), the following conditions must be met:**

- ▶ 1. The property must be the primary residence of the parent(s) or Grandparent(s)
- ▶ 2. The property must become the primary residence of the child(ren) or Grandchild(ren) within one year.
- ▶ 3. Only the primary residence of a parent(s) or Grandparent(s) qualifies for a base year value transfer. Other property, residential, commercial, Industrial or agricultural no longer qualify for this benefit.

*This provision applies to transfers starting February 16, 2021.*

*See the following chart developed by the State Board of Equalization to compare the current law and the effects of Proposition 19.*

# Parent–Child and Grandparent-Grandchild Exclusion

	Current Law	Proposition 19
<b>Principal Residence</b>	<ul style="list-style-type: none"> <li>➤ Principal residence of Transferor</li> <li>➤ No value limit.</li> <li>➤ Residence and homesite (excess land may be excluded as “other property”)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Principal residence of transferor and transferee.</li> <li>➤ Value limit of current taxable value plus \$1,000,000 as annually adjusted.</li> <li>➤ Family homes and family farms.</li> </ul>
<b>Other Real Property</b>	<ul style="list-style-type: none"> <li>➤ Transferor lifetime limit of \$1,000,000 of factored base year value.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Eliminates exclusion for other real property other than the principal residence.</li> </ul>
<b>Grandparent-Grandchild Middle Generation Limit</b>	<ul style="list-style-type: none"> <li>➤ Parents of Grandchild, who qualifies as child(ren) of Grandparent, must be deceased on date of transfer</li> </ul>	<ul style="list-style-type: none"> <li>➤ No change: Parent(s) of Grandchild, who qualifies as Child(ren) of Grandparent, must be deceased on date of transfer.</li> </ul>
<b>Filing Period</b>	<ul style="list-style-type: none"> <li>➤ File claim within 3 years or before transfer to third party.</li> </ul>	<ul style="list-style-type: none"> <li>➤ File for homeowners’ exemption within 1 year of transfer.</li> </ul>
<b>Implementing Statute</b>	<ul style="list-style-type: none"> <li>➤ Revenue and taxation code section 63.1 (implements Proposition 58/193)</li> </ul>	<ul style="list-style-type: none"> <li>➤ To be determined</li> </ul>
<b>Important Dates</b>	<ul style="list-style-type: none"> <li>➤ Through February 15, 2021</li> </ul>	<ul style="list-style-type: none"> <li>➤ Effective February 16, 2021</li> </ul>

## Transfer of Base Year Value to Replacement Home

Under current law, **Proposition 60/90 and 110** allows persons over 55 or severely and permanently disabled persons to transfer the taxable value of their existing home to their new replacement home, so long as the market value of the new home is equal to, or less than the existing home's value and located within the same county (or between some counties that allow for mutual exchange). **Proposition 19** allows eligible homeowners to transfer the taxable value of their existing home to their new replacement home of any value\*, anywhere within the state, up to three times (rather than once as provided under current law).

*\*Subject to conditions.*

*The effective date for implementation is April 1, 2021.*

*See the following chart developed by the State Board of Equalization to compare the current law and the effects of Proposition 19.*

## Base Year Value Transfer-Persons at Least Age 55/Disabled.

	Current Law	Proposition 19
<b>Type of Property</b>	➤ Principal residence of Transferor	➤ Principal residence of transferor and transferee.
<b>Timing</b>	➤ Purchase or newly construct residence within 2 years of sale.	➤ Purchase or newly construct residence within 2 years of sale.
<b>Location of Replacement Home</b>	<ul style="list-style-type: none"> <li>➤ Same County</li> <li>➤ County with intercounty ordinance (10 Counties)</li> </ul>	➤ Anywhere in California
<b>Value Limit</b>	<ul style="list-style-type: none"> <li>➤ Equal or lesser value                             <ul style="list-style-type: none"> <li>➤ 100% if replacement purchased/new construction prior to sale.</li> <li>➤ 105% if replacement/new construction in first year after sale.</li> <li>➤ 110% if replacement/new construction in second year after sale.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>➤ Any value</li> <li>➤ Amount above 100% is added to transferred value.</li> </ul>
<b>How Many Transfers</b>	<ul style="list-style-type: none"> <li>➤ One Time</li> <li>➤ Exemption: After using once for age, second time for subsequent disability.</li> </ul>	➤ Three times
<b>Implementing Statute</b>	➤ Revenue and taxation code section 69.5 (implements Propositions 60/90/110)	➤ To be determined
<b>Important Dates</b>	➤ Through March 31, 2021	➤ Effective April 1, 2021

## Disaster Relief Transfers

Under current law, **Prop. 50** provides that the base year value of property that is substantially damaged or destroyed by a disaster as declared by the Governor may be transferred to comparable property within the same county. **Prop 171** allows the transfer of the base year value of a principal residence to a county that has adopted the ordinance. Prop. 19 allows homeowners to purchase a replacement home of greater value than their original home anywhere within the state with an additional adjustment to account for the value difference.

*The effective date for implementation is April 1, 2021*

*See the following chart developed by the State Board of Equalization to compare the current law and the effects of Proposition 19.*

# Base Year Value Transfer - Intra-county Disaster Relief

	Current Law	Proposition 19
Type of Property	➤ Any type of property	➤ Principal residence
Timing	➤ Purchase or newly construct property within 5 years of disaster.	➤ Purchase or newly construct residence within 2 years of sale.
Location of Replacement Home	➤ Within same county	➤ Anywhere in California
Value Limit	<ul style="list-style-type: none"> <li>➤ Any value</li> <li>➤ Amount above 120% is added to transferred value.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Any value</li> <li>➤ Amount above 100% is added to transferred value.</li> </ul>
Type of Disaster	➤ Disaster for which the Governor proclaims a state of emergency.	➤ Wildfire, as defined, or natural disaster as declared by the Governor.
Implementing Statute	➤ Revenue and taxation code section 69 (implements Proposition 50)	➤ To be determined
Important Dates	➤ Through March 31, 2021	➤ Effective April 1, 2021

*For more information on changes to programs for victims of wildfires and other natural disasters, please consult the State Board of Equalization.*

# Base Year Value Transfer – Inter-county Disaster Relief

	Current Law	Proposition 19
Type of Property	➤ Principal residence	➤ Principal residence
Timing	➤ Purchase or newly construct principal residence within 3 years of disaster.	➤ Purchase or newly construct principal residence within 2 years of sale.
Location of Replacement Home	➤ County with inter-county ordinance (13 counties)	➤ Anywhere in California
Value Limit	<ul style="list-style-type: none"> <li>➤ Equal or lesser value                             <ul style="list-style-type: none"> <li>➤ 105% if purchased/new construction in first year after disaster.</li> <li>➤ 110% if purchased/new construction in second year after disaster.</li> <li>➤ 115% if purchased/new construction in third year after disaster.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>➤ Any value</li> <li>➤ Amount above 100% is added to transferred value.</li> </ul>
Type of Disaster	➤ Disaster for which the Governor proclaims a state of emergency.	➤ Wildfire, as defined, or natural disaster as declared by the Governor.
Implementing Statute	➤ Revenue and taxation code section 69.3 (implements Proposition 171)	➤ To be determined
Important Dates	➤ Through March 31, 2021	➤ Effective April 1, 2021

*For more information on changes to programs for victims of wildfires and other natural disasters, please consult the State Board of Equalization.*

To summarize

## What we know about base year transfers. Principal Residence only

- ▶ Base year transfer expands from some counties to **ALL** counties.
- ▶ Replacement property can cost more than sales price of original.
- ▶ Base year transfer can be taken 3 times.
- ▶ Need to transfer base year to replacement residence within 2 years of the sale of the original residence.
- ▶ If the replacement costs more than the original property sold for, the difference between those values is added to the base year value of original property for transfer purposes.

# Principal Residence Base Year Value Transfer

Replacement Residence is of greater value than Original Residence  
Partial Adjustment made to Base Year Value.

- ▶ Example: Original residence sells for \$1,200,000. The replacement residence costs \$1,500,000. The base year value of the original residence is \$700,000. The transferred base year will be \$700,000 + \$300,000 (difference between the sale price of the original residence and the purchase price of the replacement residence) for a new base year value of \$1,000,000 saving \$5,000 in taxes.
- ▶ (Partial Relief is Available).

Replacement Residence Costs (FMV)	\$1,500,000
Original Residence Sales Price	<u>-\$1,200,000</u>
Value Difference	\$300,000
Transferred Base Year Value	<u>+700,000</u>
New Base Year Value	<u>\$1,000,000</u>
Approximate Tax Savings	\$5,000

# Principal Residence Base Year Value Transfer

Replacement Residence is of equal or lesser value than Original Residence  
No adjustment made to Base Year Value

- ▶ Example: Original residence sells for \$1,200,000. The replacement residence costs \$900,000. The base year of the original residence is \$500,000. The transferred base year will be \$500,000 with no adjustment since the replacement residence is of lesser value than the original residence. Tax savings of approximately \$4,000. (Full Relief is Available).

Replacement Residence Costs (FMV)	\$900,000
Original Residence Sales Price	- <u>\$1,200,000</u>
Value Difference	0
Transferred Base Year Value	+ <u>\$500,000</u>
Base Year Value Enrolled	<u>\$500,000</u>
Approximately Tax Savings	\$4,000

# What we don't know yet on “Base Year Transfers.”

- ▶ Will purchase of a replacement residence prior to April 1, 2021 be included in the two-year window period for making a transfer?
- ▶ Will the sale of the original residence prior to April 1, 2021 be included within the two-year window period for making a transfer?
- ▶ Will the purchase of the replacement residence and the sale of the original residence need to both occur after April 1, 2021?
- ▶ How will counties track the three-time limit on doing a base year value transfer?
- ▶ These issues will need to be resolved through future legislation.

# What we know about “Parent to Child Exclusion”

- ▶ Parent to child (and Grandparent to Grandchild) exclusion only applies to family home\* of transferor.
- ▶ Transferee must reside in family home within one-year of transfer.
- ▶ Effective February 16, 2021, there will no longer be a parent to child exclusion for properties other than a principal residence.

\* Family home = principal residence = Family farm.

Family farm is any real property that is under cultivation or which is being used for pasture or grazing.



# What we know about “Parent to Child Exclusion”

## (Example 2) – Value Test

**FMV of Family Home is equal to or more than sum of FBYV + \$1,000,000**

- ▶ **Example 2:** Full market value (FMV) of principal residence on day before transfer is \$1,600,000. Factored Base Year Value (FBYV) is \$450,000. \$450,000 plus \$1,000,000 is less than the FMV. \$1,600,000 FMV minus \$1,450,000 equals \$150,000 which is added to the \$450,000 base year value for a new enrolled value of \$600,000, still saving approximately \$10,000 in property taxes.

- ▶ (Partial adjustment is made to the Base Year Value).

Factored Base Year Value	\$450,000
\$1 Million Exclusion	+ <u>\$1,000,000</u>
Total Sum	<u>\$1,450,000</u>
Fair Market Value	\$1,600,000
Minus Total Sum	<u>\$1,450,000</u>
Value Difference	<u>\$150,000</u>
New Adjusted Base Year Value	\$600,000
(450K + 150K) Saving \$10,000 in property taxes	

# What we do not know yet: “Parent to Child Exclusion”

- ▶ Can a parent transfer consecutive family homes to children?
- ▶ If parent transfers family home to multiple children, does only one child have to move into the home?
- ▶ How long does the child have to live in the family home in order to retain the parent to child exclusion?
- ▶ Can different children live in the family home during different time periods?
- ▶ How will counties determine whether a homeowner exemption is still valid?
- ▶ Will the state track parent to child transfers of family homes?
- ▶ Can children transfer to their parents?
- ▶ These issues will need to be resolved through future legislation.

# FAQ

## 1. What date does Prop. 19 go into effect?

*There are two effective dates under Prop. 19:*

### **Parent-Child or Grandparent-Grandchild Transfers**

*Effective February 16, 2021, Prop. 19 changes the benefits afforded to transfers between parents and children and between grandparents and their grandchildren (change in ownership exclusion).*

### **Tax Base Transfers (Senior, Disabled, Victim of Disaster)**

*Effective April 1, 2021, homeowners who are over 55 years, severely disabled, or the victim of a disaster can transfer the base year value of their home to a replacement home located anywhere in California that is purchased within 2 years of the sale of their original home.*

## PARENT TO CHILD & GRANDPARENT TO GRANDCHILD TRANSFERS

## 2. What is the new (Prop. 19) Parent to Child and Grandparent to Grandchild change in ownership exclusion?

*For transfers occurring on or after February 16, 2021, the exclusion is allowed only if the real property is: (1) a family home (or family farm) of the transferor, and (2) the property continues as the family home (or family farm) of the transferee; and,*

*The exclusion is limited to the first \$1 million of value that would be added upon reassessment of a family home (or family farm).*

### 3. Under Prop. 19, will I be eligible for a parent to child exclusion if the value of the family home is greater than \$1 million?

*Yes, you may be granted up to a \$1 million value exclusion.*

*The excluded value limit under Prop. 19 is the sum of the factored base year value of the property plus \$1 million. If the market value is equal or lesser than the limit, you get full relief. If the market value exceeds this limit, partial relief is available. The amount exceeding the value limit is added to the factored base year value.*

*For example, a family home has a factored base year value of \$350,000 and a fair market value of \$1,500,000. The value test under Prop. 19 would be:*

*Excluded Amount:  $\$350,000 + \$1,000,000 = \$1,350,000$*

*Difference  $\$1,500,000 - \$1,350,000 = \$150,000$*

*New  $\$350,000 + \$150,000 = \mathbf{\$500,000}$*

### 4. Will the non-principal residence \$1 million exclusion allowance still be available after February 16, 2021?

*No. Upon implementation of Prop. 19, the non-principal residence \$1 million exclusion will no longer be available.*

### 5 Will the Parent to Child and Grandparent to Grandchild exclusion still include non-principal residences of the transferors?

*No. Prop. 19 eliminates the exclusion for transfers of real property other than the transferor's principal residence between parents and children and grandparents and grandchildren, such as rental property, second homes, and commercial property.*

**6. If my parents transfer their non-principal residence to me prior to February 16, 2021, would it still qualify for the Parent to Child exclusion under previous provisions (Prop. 58)?**

*Yes, the property would be eligible for exclusion if all other requirements are met. The limitation of family home or family farm only becomes effective for transfers occurring after February 16, 2021.*

**7. Do I have to claim the homeowners' exemption to qualify for the Parent to Child and Grandparent to Grandchild exclusion?**

*Yes, in order to receive the property tax benefit of the exclusion, Prop. 19 requires that the transferee claim the homeowners' exemption or the disabled veterans' exemption at the time of purchase or transfer of the family home (or family farm) ~~or~~ within one year of the transfer.*

**8. If the property transfers to three children, do all of the children need to reside in the property in order to qualify for the exclusion?**

*We expect clarification from the legislature on this issue.*

**9. My parents transferred the family home to me prior to the effective date of Prop. 19. We have not filed the Parent to Child exclusion claim yet. If a claim is filed after February 16, 2021, would the property be eligible for exclusion?**

*Since the transfer occurred prior to the effective date of Prop. 19, the property is eligible for exclusion under Prop. 58, if all the requirements are met.*

## BASE YEAR VALUE TRANSFERS (SENIORS, DISABLED, VICTIM OF DISASTER)

10. I understand that under Prop. 19, a person can transfer their tax base from an original property to a replacement property anywhere in the state. Is this correct?

*Effective April 1, 2021, homeowners who are over 55 years, severely disabled, or the victim of a disaster can transfer the tax base of their home to a replacement home located anywhere in California that is purchased within 2 years of the sale of their original home.*

11. Under Prop. 19, can I transfer my tax base more than once?

*Yes, Prop. 19 allows homeowners who are over 55 years or disabled to transfer their tax base up to 3 times. Victims of wildfires or other natural disasters may transfer their tax base once per event.*

12. If I have transferred my tax base prior to Prop. 19, am I eligible to transfer my tax base three (3) more times or only two (2)?

*The State Board of Equalization's opinion is that transfers of tax base that occur prior to the implementation of Prop. 19 do not count towards the 3 transfer maximum.*

**13. Unfortunately my home burned down completely in the Woolsey fire and had significant (more than 50%) in the Bobcat fire. Will I be able to transfer my tax base again to anywhere in California?**

*If someone is unfortunate enough to have lost two homes to wildfires or other Governor-proclaimed disasters, they are able to transfer their tax base more than once.*

**14. My husband and I have already taken advantage of the Prop. 60/90 senior tax base transfer benefit and the Prop. 110 tax base transfer benefit due to disability. Can we qualify to transfer our tax base a third time under Prop. 19?**

*Prop. 19 allows a claimant to transfer their tax base up to 3 times in addition to any transfers of tax base under previous provisions (Propositions 60, 90 and 110). Therefore, you should be eligible to transfer your tax base up to 3 times.*

**15. What happens if I buy a replacement home that costs more than my original home and want to transfer my tax base?**

*If you are over 55 years, severely disabled, or the victim of a disaster, Prop. 19 allows homeowners who purchase a replacement home of greater value than their original home to transfer their tax base with an adjustment to account for the value difference. The portion that is over the value of the original home will be reassessed at current market value.*

**16. What constitutes a natural disaster for tax base transfer purposes?**

*Under Prop. 19, "Natural disaster" means the existence, as declared by the Governor, of conditions of disaster or extreme peril to the safety of persons or property within the affected area caused by conditions such as fire, flood, drought, storm, mudslide, earthquake, civil disorder, foreign invasion, or volcanic eruption.*



## Contact information

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- ▶ *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 visit the website of the [State Board of Equalization](#) for more information. We would also encourage you to consult an attorney for advice on your specific situation.*