



PROPOSITION 19: IMPORTANT CHANGES TO FAMILY TRANSFER (PROP. 58/193) AND TRANSFER OF PROPERTY TAX BASE (PROP. 60/90/50/171)

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On November 3, 2020, California voters approved **Proposition 19** (Assembly Constitutional Amendment 11, Stats. 2020, res. ch. 31). Prop. 19 adds sections to the California Constitution which change the rules on the parent-child and grandparent-grandchild exclusions (known as Prop. 58/193) and add new provisions for a base year value transfer of a principal residence for persons at least age 55 or severely disabled (known as Prop. 60/90) or for victims of wildfires or natural disasters (known as Prop. 50/171). Provided below are a few important changes effected by the passage of Prop. 19. This information reflects the Board of Equalization’s interpretation of Prop. 19’s provisions as of January 20, 2021.

For more information please consult boe.ca.gov/prop19.

Parent-Child and Grandparent-Grandchild Reassessment Exclusion

CHANGES EFFECTIVE **FEBRUARY 16, 2021**

BEFORE (Prop. 58/193)	<ul style="list-style-type: none"> Implementing statute: RTC 63.1, Prop 58/193 Unlimited reassessment exclusion for principal residence \$1,000,000 reassessment exclusion for transfers of property other than principal residence Recipient is not required to live in the property
CURRENT LAW (Prop. 19)	<ul style="list-style-type: none"> Implementing statute: TBD Full reassessment exclusion is allowed for principal residence, if the fair market value (FMV) of the principal residence is less than the sum of the taxable value plus \$1,000,000 Partial reassessment exclusion is allowed for principle residences, if the FMV of the family home is more than the sum of the factored base year value plus \$1 million (New base year value based on Value Test, see example on page 3) No reassessment exclusion for transfers of property other than principal residence Recipient is required to live in the property and must have a Homeowners’ Exemption (HOX) filed within one year of the transfer in order to qualify for this exclusion.

Transfers of Tax Bases for Seniors and Severely Disabled Property Owners

CHANGES EFFECTIVE **APRIL 1, 2021**

BEFORE (Prop. 60/90)	<ul style="list-style-type: none"> Implementing statute: RTC 69.5, Prop. 60/90 and 110 Transfer tax bases between participating counties Eligibility subject to value comparison of properties Benefit can be used only once
CURRENT LAW (Prop. 19)	<ul style="list-style-type: none"> Implementing statute: TBD Transfer tax bases between all counties Eligibility not subject to value comparison of properties Benefit can be used up to three times

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Transfers of Tax Bases for Wildfire or Natural Disaster

CHANGES EFFECTIVE APRIL 1, 2021

BEFORE (Prop. 50/171)	<ul style="list-style-type: none">• Implementing statute: RTC 69.3, Prop. 50/171• Transfer tax bases between participating counties• Eligibility subject to value comparison of properties• Benefit can be used more than once
CURRENT LAW (Prop. 19)	<ul style="list-style-type: none">• Implementing statute: TBD• Transfer tax bases between all counties• Eligibility not subject to value comparison of properties• Benefit can be used more than once

For more information on changes approved by Proposition 19 consult the State Board of Equalization's website: boe.ca.gov/prop19/.

Frequently Asked Questions (FAQ)

1. TO QUALIFY FOR THE PROPOSITION 19 PARENT-CHILD EXCLUSION, DO I HAVE TO CLAIM A HOMEOWNERS' EXEMPTION AND RESIDE IN THE FAMILY HOME INHERITED FROM MY PARENTS OR GRANDPARENTS?

Yes. Proposition 19 requires that you claim a homeowners' exemption or disabled veterans' exemption and make the family home your principal residence within one year of the transfer.

To apply, please visit our website:

Homeowners' Exemption: assessor.lacounty.gov/hox

Disabled Veterans' Exemption: assessor.lacounty.gov/disabledvets

2. I AM OVER THE AGE OF 55. WHAT HAPPENS IF I BUY A NEW HOME THAT COSTS MORE THAN THE ORIGINAL HOME AND WANT TO TRANSFER MY BASE YEAR VALUE?

You may be eligible for the exclusion. However, the portion that is over the value of the original property will be reassessed at current market value. You may claim this exclusion up to three times.

3. MY HOME BURNED DOWN IN A GOVERNOR-PROCLAIMED DISASTER. I WAS ABLE TO TRANSFER MY BASE YEAR VALUE BY CLAIMING A DISASTER EXCLUSION (PROP. 50). MY NEW HOME ALSO GOT DAMAGED IN ANOTHER GOVERNOR-DECLARED DISASTER. WILL I BE ABLE TO TRANSFER MY BASE YEAR VALUE AGAIN?

Yes. If someone is unfortunate enough to have lost two homes to Governor-proclaimed disasters, they are able to transfer their base year value more than once.

Parent-Child Transfer Exclusion Calculation

Prop. 19 requires adjustment of the taxable value if the fair market value of the family home exceeds the sum of the taxable value plus \$1,000,000.

If the fair market value of the family home is less than the sum of the taxable value plus \$1,000,000, then the taxable value need not be adjusted.

If the fair market value of the family home is equal to or more than the sum of the taxable value plus \$1 million, an amount equal to the fair market value of the family home upon purchase by, or transfer to, the transferee, minus the sum of the taxable value plus \$1,000,000, is added to the taxable value.

EXAMPLE:

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

1. Calculate the sum of taxable value plus \$1,000,000

$$\begin{array}{ccc} \boxed{\$425,738} & + & \boxed{\$1,000,000} = \boxed{\$1,425,738} \\ \text{TAXABLE VALUE} & & \text{SUM} \end{array}$$

2. Determine whether the fair market value exceeds the sum of the taxable value plus \$1,000,000

$$\boxed{\$1,750,000} > \boxed{\$1,425,738}$$

THE FAIR MARKET VALUE IS GREATER THAN THE SUM.

3. Calculate the difference

$$\begin{array}{ccc} \boxed{\$1,750,000} & - & \boxed{\$1,425,738} = \boxed{\$324,262} \\ \text{FAIR MARKET VALUE} & & \text{SUM} \qquad \qquad \qquad \text{DIFFERENCE} \end{array}$$

4. Add difference to the taxable value

$$\begin{array}{ccc} \boxed{\$324,262} & + & \boxed{\$425,738} = \boxed{\$750,000} \\ \text{DIFFERENCE} & & \text{TAXABLE VALUE} \qquad \qquad \qquad \text{NEW COMBINED BASE YEAR VALUE} \end{array}$$

For more information and updates on Prop. 19, please visit assessor.lacounty.gov/prop19

Base Year Value Transfer Calculation

Under Prop. 19, whether or not the base year value of an original principal residence can be transferred to a replacement principal residence, without adjustment, depends on the fair market values of the two properties.

If the fair market value of the replacement principal residence does not exceed the fair market value of the original principal residence, the factored base year value of the original principal residence can be transferred to the replacement principal residence without adjustment.

However, if the fair market value of the replacement principal residence does exceed the fair market value of the original principal residence, the difference between the two market values will be added to the factored base year value of the original principal residence. The sum will be the new base year value of the replacement principal residence.

EXAMPLE:

Homeowner, who is over age 55, sells a **principal residence on June 28, 2021 for a full cash value of \$700,000**. At the time of sale, the single-family residence has a **factored base year value of \$225,738**. On July 22, 2021, a **replacement principal residence is purchased for a full cash value of \$800,000**. Since the full cash value of the replacement principal residence exceeds the full cash value of the original principal residence, the difference in full cash values must be calculated and added to the transferred factored base year value.

1. Calculate the difference in full cash values

\$800,000	-	\$700,000	=	\$100,000
REPLACEMENT PRINCIPAL RESIDENCE FULL CASH VALUE		ORIGINAL PRINCIPAL RESIDENCE FULL CASH VALUE		DIFFERENCE

2. Add difference to factored base year value

\$225,738	+	\$100,000	=	\$325,738
FACTORED BASE YEAR VALUE		DIFFERENCE		NEW BASE YEAR VALUE OF REPLACEMENT PRINCIPAL RESIDENCE

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Disclaimer: Information on this document should not be construed as legal advice, but is designed merely to inform the public on tax relief opportunities processed by the Office of the Los Angeles County Assessor. If you have any questions regarding your particular property tax position, it is recommended that you consult with an attorney or a property tax professional.