CORINTHIAN TITLE COMPANY

California Proposition 19

what it is & how it works

Property Tax Transfers, Exemptions, and Revenue for Wildfire Agencies and Counties Amendment (2020)

How does Prop 19 change the rules governing tax assessment transfers?

Proposition 19 is a constitutional initiative passed by California voters that changes the rules for tax assessment transfers. In California, eligible homeowners can now transfer their tax assessments to a different home of the same or lesser market value, which allows them to move without paying higher taxes. Homeowners who are eligible for tax assessment transfers are persons over 55 years old, persons with severe disabilities, and victims of natural disasters and hazardous waste contamination.

This allows eligible homeowners to transfer their tax assessments anywhere within the state and allows tax assessments to be transferred to a more expensive home with an upward adjustment. The number of times that a tax assessment can be transferred is now increased from one to three for persons over 55 years old or with severe disabilities (disaster and contamination victims would continue to be allowed one transfer).

These expanded special rules are effective as of April 1, 2021.

How does Prop 19 affect inherited properties?

In California, parents or grandparents can transfer primary residential properties to their children or grandchildren without the property's tax assessment resetting to market value. Other types of properties, such as vacation homes and business properties, can also be transferred from parent to child or grandparent to grandchild with the first $1 million exempt from re-assessment when transferred.

Prop 19 eliminates the parent-to-child and grandparent-to-grandchild exemption in cases where the child or grandchild does not use the inherited property as their principal residence, such as using a property as a rental house or a second home. The property tax bill for an inherited home or farm would go up if the price the property could be sold for exceeds the property's taxable value by more than $1 million (adjusted for inflation every two years).

- **Permits homeowners who are over 55, severely disabled, or whose homes were destroyed by wildfire or disaster, to transfer their primary residence's property tax base value to a replacement residence of any value, anywhere in the state.**
- **Limits tax benefits for certain transfers of real property between family members.**
- **Expands tax benefits for transfers of family farms.**
- **Allocates most resulting state revenues and savings (if any) to fire protection services and reimbursing local governments for taxation-related changes.**

These special rules regarding inherited properties are effective as of February 16, 2021.

What does Prop 19 do with changes in revenue?

Prop 19 creates the California Fire Response Fund (CFRF) and County Revenue Protection Fund (CRPF). It requires the California Director of Finance to calculate additional revenues and net savings resulting from the ballot measure. The California State Controller would be required to deposit 75% of the calculated revenue to the Fire Response Fund and 15% to the County Revenue Protection Fund. The County Revenue Protection Fund would be used to reimburse counties for revenue losses related to the measure's property tax changes. The Fire Response Fund would be used to fund fire suppression staffing and full-time station-based personnel.

Visit the California Secretary of State website for more details:
https://vig.cdn.sos.ca.gov/2020/general/pdf/prop19-title-summ-analysis.pdf

To assist taxpayers, included are comparison charts of previous laws and the effects of Proposition 19:

PARENT-CHILD & GRANDPARENT-GRANDCHILD EXCLUSION

	Proposition 58/193 (Former Law)	Proposition 19 (Current Law)
Principal Residence	→ Principal residence of transferor → No value limit → Residence and homesite (excess land may be excluded as "other property")	→ Principal residence of transferor and transferee → Value limit of current taxable value plus $1,000,000 (as biennially adjusted) → Family homes and farms
Other Real Property	→ Transferor lifetime limit of $1,000,000 of factored base year value	→ Eliminates exclusion for other real property other than the principal residence
Grandparent-Grandchild Middle Generation Limit	→ Parent(s) of grandchild, who qualifies as child(ren) of grandparent, must be deceased on date of transfer	→ No change: parent(s) of grandchild, who qualifies as child(ren) of grandparent, must be deceased on date of transfer
Filing Period	→ File claim within 3 years or before transfer to third party	→ File for homeowners' exemption within 1 year of transfer → File claim for exclusion within 3 years or before transfer to third party
Implementing Statute	→ Revenue & Taxation Code section 63.1 (implements Propositions 58/193)	→ Revenue and Taxation Code section 63.2 (implements Proposition 19)
Important Dates	→ Through February 15, 2021	→ Effective February 16, 2021

For more details on Prop 19, please check out the helpful weblinks below:

Full text on ACA-11:

http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201920200ACA11

Frequently Asked Questions:

https://www.boe.ca.gov/prop19/#FAQs

NOTE: The information presented 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. If there is a conflict between the information presented and the text of the proposition or its implementation, the text of the proposition or legal interpretation will prevail. It is highly encouraged that you consult an attorney for advice specific to your situation.

BASE YEAR VALUE TRANSFER - PERSONS AT LEAST AGE 55/DISABLED

	Propositions 60/90/110 (RTC Section 69.5)	Proposition 19 (RTC Section 69.6)
Type of Property	➞ Principal residence	➞ Principal residence
Timing	➞ Purchase or newly construct residence within 2 years of sale	➞ Purchase or newly construct residence within 2 years of sale
Location of Replacement Home	➞ Same county ➞ County with intercounty ordinance	➞ Anywhere in California
Value Limit	➞ Equal or lesser value ➞ 100% if replacement purchased/newly constructed prior to sale ➞ 105% if replacement purchased/newly constructed in first year after sale ➞ 110% if replacement purchased/newly constructed in second year after sale	➞ Any value ➞ No adjustment to transferred base year value if the replacement property is of equal or lesser value than the original property's market value. "Equal or lesser value" means: ➞ 100% if replacement purchased/newly constructed prior to sale ➞ 105% if replacement purchased/newly constructed in first year after sale ➞ 110% if replacement purchased/newly constructed in second year after sale ➞ Amount above "equal or lesser value" is added to transferred value
How many transfers?	➞ One time ➞ Exception: After using once for age, second time for subsequent disability	➞ Three times
Implementing Statute	➞ Revenue & Taxation Code section 69.5 (implements Propositions 60/90/110)	➞ Revenue and Taxation Code section 69.6 (implements Proposition 19)
Important Dates	➞ Replaced by Proposition 19 (Revenue and Taxation Code section 69.6)	➞ Effective April 1, 2021

BASE YEAR VALUE TRANSFER - INTRACOUNTY DISASTER RELIEF

	Proposition 50 (RTC Section 69)	Proposition 19 (RTC Section 69.6)
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 Property	➞ Within same county	➞ Anywhere in California
Value Limit	➞ Any value ➞ Amount above 120% is added to transferred value	➞ Any value ➞ No adjustment to transferred base year value if the replacement property is of equal or lesser value than the original property's market value. "Equal or lesser value" means: ➞ 100% if replacement purchased/newly constructed prior to sale ➞ 105% if replacement purchased/newly constructed in first year after sale ➞ 110% if replacement purchased/newly constructed in second year after sale ➞ Amount above "equal or lesser value" is added to transferred value
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 & Taxation Code section 69 (implements Proposition 50)	➞ Revenue and Taxation Code section 69.6 (implements Proposition 19)
Important Dates	➞ Effective July 1, 1985	➞ Effective April 1, 2021

BASE YEAR VALUE TRANSFER - INTERCOUNTY DISASTER RELIEF

	Proposition 171 (RTC Section 69.3)	Proposition 19 (RTC Section 69.6)
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 intercounty ordinance	➞ Anywhere in California
Value Limit	➞ Equal or lesser value ➞ 105% if purchased/newly constructed in first year after disaster ➞ 110% if purchased/newly constructed in second year after disaster ➞ 115% if purchased/newly constructed in third year after disaster	➞ Any value ➞ No adjustment to transferred base year value if the replacement property is of equal or lesser value than the original property's market value. "Equal or lesser value" means: ➞ 100% if replacement purchased/ newly constructed prior to sale ➞ 105% if replacement purchased/ newly constructed in first year after sale ➞ 110% if replacement purchased/ newly constructed in second year after sale ➞ Amount above "equal or lesser value" is added to transferred value
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 & Taxation Code section 69.3 (implements Proposition 171)	➞ Revenue and Taxation Code section 69.6 (implements Proposition 19)
Important Dates	➞ Effective October 20, 1991	➞ Effective April 1, 2021