

Proposition 19 Summary

Major Changes to California Property Tax Law

Assuming Proposition 19 election results are certified, the new law makes two fundamental changes to California property tax law.

First, Effective April 1, 2021, Proposition 19 applies to personal residences for: (i) persons 55 years and older, (ii) severely disabled, and (iii) persons whose homes were destroyed by wildfires, to transfer their property tax current assessment to a new primary residence *anywhere* in California. Additionally, Proposition 19 permits such transfers of a homeowner's current property tax assessment up to *three* times. Also, Proposition 19 allows transfer of the current tax assessment to a replacement property of *greater* value than the residence being sold but will require a partial increase in property tax assessment calculated on the difference in value.

Second, effective February 16, 2021, legacy transfers between parents and children and/or grandparents and grandchildren requires the *continued use* of the home as a principal residence by the child or grandchild. Further, the property tax assessment will be *increased* if the fair market value of the legacy transfer is more than one million dollars *over* the property tax assessment at the time of transfer. The following formula would apply to determine if the legacy property will be reassessed upward: (Current fair market value) less (current existing property tax assessed value) less (one million dollars) equals the new property tax assessment on transfer to the child or grandchild. If the calculation results in zero or a negative number, then the current existing property tax assessment remains. However, if the calculation results in a positive number, then that is the amount that will be *added* to the property tax assessment and becomes the new property tax assessment amount for the legacy property.