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No. 2022/037

July 25, 2022

TO COUNTY ASSESSORS,
COUNTY COUNSELS, AND
OTHER INTERESTED PARTIES:

PROPERTY TAX RULES 462.520 AND 462.540

The State Board of Equalization (BOE) promulgated emergency amendments to Property Tax Rule (Rule) 462.520, *Exclusion from Change in Ownership – Intergenerational Transfers*, and Rule 462.540, *Change in Ownership – Base Year Value Transfers*, which became effective on July 18, 2022. These emergency amendments will expire on January 18, 2023. Accordingly, BOE staff has initiated the regular rulemaking process to make the emergency amendments permanent. Please see the attached draft of Rule 462.520 and Rule 462.540 with proposed amendments in strikeout/underline format, and additional amendments to Rule 462.540 in double underline.

Interested parties are encouraged to participate in the rulemaking process for Rule 462.520 and Rule 462.540. Suggested revisions to the draft, in the form of alternative text, should be provided to Michael Crook at michael.crook@boe.ca.gov by **Friday August 19, 2022**. Upon reviewing the submitted suggestions, it is anticipated this process will proceed as follows:

- If necessary, BOE staff will meet with interested parties to discuss the language for the rule.
- The Board members will hear presentations on issues regarding the language for the rule and vote to place the rule into the formal rulemaking process.

All documents regarding these projects will be posted on the BOE's website at <https://boe.ca.gov/proptaxes/revision-rule462520-cio-intergen-exclusion.htm> for Rule 462.520 and <https://boe.ca.gov/proptaxes/revision-rule462540-cio-byv-transfers.htm> for Rule 462.540. If you have questions regarding this project, you may contact Mr. Crook at 1-916-274-3361.

Sincerely,

/s/ David Yeung

David Yeung
Deputy Director
Property Tax Department

DY:mc
Attachment

[TEXT OF PROPOSED AMENDMENTS IN UNDERLINE AND STRIKEOUT]

RULE 462.520. EXCLUSION FROM CHANGE IN OWNERSHIP – INTERGENERATIONAL TRANSFERS.

(a) GENERAL. Beginning on and after February 16, 2021, "change in ownership" shall not include the transfer of real property which is the principal residence or the family farm of an eligible transferor in the case of transfers between parents and their children or between grandparents and their grandchildren, meeting the following conditions:

(1) The principal residence or family farm of the transferor must become the principal residence or the family farm of at least one eligible transferee within one year of the transfer.

(A) If the transfer is of a principal residence, an eligible transferee must file a claim for the homeowners' or disabled veterans' exemption at the time of the transfer or within one year of the transfer.

(B) If the transfer is of a family farm, an eligible transferee need not file a claim for either the homeowners' or disabled veterans' exemption. A family farm is not required to include a principal residence to qualify for this exclusion.

(C) A claim for exclusion under this section may be filed separately for a principal residence on a family farm if that principal residence meets all the requirements of this section.

(2) The real property must continue to be the principal residence or the family farm of an eligible transferee. As of the date the property is no longer the principal residence or the family farm of an eligible transferee, the exclusion shall be removed and the taxable value of the property shall be determined pursuant to subdivision (d) of this rule. However, if another eligible transferee qualifies for the exclusion within one year of the property no longer qualifying as the principal residence of the previous eligible transferee, the exclusion shall not be removed.

(3) In the case of transfers between grandparents and grandchildren, all of the parents of those grandchildren, who qualify as children of the grandparents, are deceased as of the date of the transfer, except that a son-in-law or daughter-in-law of the grandparent who is a stepparent to the grandchild need not be deceased on the date of the transfer.

(4) A claim for the exclusion sought pursuant to this section is filed with the county assessor in accordance with subdivision (f)(2) of this rule. An assessor may request any other information reasonably related to the claim they deem necessary to verify the exclusion.

(5) Nothing in this section limits the number of principal residences or family farms of a transferor that may be transferred to an eligible transferee and excluded from change in ownership.

(b) VALUATION.

(1) Upon transfer, the principal residence or family farm obtains a new base year value equal to its full cash value on the date of transfer multiplied by the percent ownership of the principal residence or family farm transferred plus the factored base year value of the percent ownership of the principal residence or family farm not transferred.

(2) If a transferee meets the requirements for exclusion under this section, the principal residence or family farm will be assessed at its New Taxable Value in accordance with subdivision (c) of this rule rather than its new base year value.

(3) When the real property is no longer the principal residence or the family farm of an eligible transferee as required by subdivision (a)(2) of this rule, the new taxable value upon removal of the exclusion shall be determined pursuant to subdivision (d) of this rule.

Example 1: Base Year Value Calculation. Parent transfers 100 percent interest in their principal residence to Child. On March 1, 2021, the date of transfer, the principal residence has a factored base year value of \$250,000 and a full cash value of \$900,000. The principal residence's new base year value is \$900,000. If Child meets the requirements for exclusion under this section, the principal residence will be assessed at its New Taxable Value, in accordance with subdivision (c) of this rule, rather than its new base year value.

Example 2: Base Year Value Calculation. Parent transfers 75 percent interest in their principal residence to Child and retains 25 percent interest. On March 1, 2021, the date of transfer, the principal residence has a factored base year value of \$250,000 and a full cash value of \$900,000. The principal residence's new base year value is \$675,000 (\$900,000 full cash value multiplied by the 75 percent interest transferred to Child) plus \$62,500 (\$250,000 factored base year value multiplied by the 25 percent interest retained by Parent) equals \$737,500. If Child meets the requirements for exclusion under this section, the principal residence will be assessed at its New Taxable Value, in accordance with subdivision (c) of this rule, rather than its new base year value.

(c) NEW TAXABLE VALUE. The New Taxable Value of the principal residence or family farm shall be the sum of the amounts calculated in paragraphs (1) through (3):

(1) Eligible Transferee's New Taxable Value: the sum of the factored base year value of the principal residence or family farm immediately prior to the date of transfer plus any Excess Amount. This amount shall be multiplied by the percent interest of the principal residence or family farm transferred to eligible transferees.

(A) "Excess Amount" means the full cash value of the principal residence or family farm on the date of transfer minus the Excluded Amount. If this amount is less than or equal to zero, the Excess Amount is zero.

(B) "Excluded Amount" means the factored base year value of the principal residence or family farm immediately prior to the date of transfer plus \$1,000,000, adjusted pursuant to subdivision (g) of this rule.

(2) Noneligible Transferee's New Taxable Value: the full cash value of the principal residence or family farm on the date of transfer multiplied by the percent interest transferred to noneligible transferees.

(3) Factored Base Year Value of Non-Transferred Interest: the factored base year value of the principal residence or family farm immediately prior to the date of transfer multiplied by the percent interest not transferred.

(4) The New Taxable Value shall be adjusted by an inflation factor, as provided in subdivision (a) of section 51 of the Revenue and Taxation Code.

Example 3: Excess Amount Calculation. On March 1, 2021, Parents' principal residence has a factored base year value of \$250,000. The Excluded Amount is \$1,250,000 (\$1,000,000 plus \$250,000 factored base year value). Parents transfer 100 percent interest in their principal residence to Child on March 1, 2021.

Examples 3-1 and 3-2 demonstrate alternatives using the facts described in Example 3.

Example 3-1: *Zero Excess Amount.* The principal residence has a full cash value of \$900,000 on the date of transfer. Since \$900,000 is less than the \$1,250,000 Excluded Amount, the Excess Amount is zero. Therefore, the New Taxable Value on the date of transfer is the factored base year value of \$250,000.

Example 3-2: *Excess Amount.* The principal residence has a full cash value of \$1,300,000 on the date of transfer. Since \$1,300,000 is greater than the \$1,250,000 Excluded Amount, there is an Excess Amount of \$50,000. Therefore, the New Taxable Value of the principal residence on the date of transfer is \$300,000 (\$250,000 factored base year value plus \$50,000 Excess Amount).

Example 4: *Transfer to both Eligible and Non-Eligible Transferees.* On March 1, 2021, Parents' principal residence has a factored base year value of \$250,000. The Excluded Amount is \$1,250,000 (\$1,000,000 plus \$250,000 factored base year value). Parents transfer 75 percent interest in their principal residence to Child and the remaining 25 percent interest to Nephew on March 1, 2021.

Examples 4-1 and 4-2 demonstrate alternatives using the facts described in Example 4.

Example 4-1: *Transfer to both Eligible and Non-Eligible Transferees: Zero Excess Amount.* The principal residence has a full cash value of \$900,000 on the date of transfer. Since \$900,000 is less than the \$1,250,000 Excluded Amount, the Excess Amount is zero. Therefore, the Eligible Transferee's New Taxable Value on the date of transfer is \$187,500 (\$250,000 factored base year value multiplied by the 75 percent interest transferred to Child). Since 25 percent of the principal residence is transferred to Nephew, a non-eligible transferee, the Noneligible Transferee's New Taxable Value is \$225,000 (\$900,000 full cash value multiplied by the 25 percent interest transferred to Nephew). Thus, the New Taxable Value of the principal residence is \$412,500 (\$187,500 plus \$225,000).

Example 4-2: *Transfer to both Eligible and Non-Eligible Transferees: Excess Amount.* The principal residence has a full cash value of \$1,300,000 on the date of transfer. Since \$1,300,000 is greater than the \$1,250,000 Excluded Amount, the Excess Amount is \$50,000. Since 75 percent interest in the principal residence was transferred to Child, the Eligible Transferee's New Taxable Value is \$225,000 (\$250,000 factored base year value plus \$50,000 Excess Amount, multiplied by Child's 75 percent interest). Since 25 percent interest in the principal residence was transferred to Nephew, a non-eligible transferee, the Noneligible Transferee's New Taxable Value is \$325,000 (\$1,300,000 full cash value multiplied by the 25 percent interest transferred to Nephew). Therefore, the New Taxable Value of the principal residence is \$550,000 (\$225,000 plus \$325,000).

Example 5: *Transfer to an Existing Owner Eligible Transferee.* On June 1, 2022, Parent's principal residence has a factored base year value of \$320,000. The Excluded Amount is \$1,320,000 (\$1,000,000 plus \$320,000 factored base year value). Parent's principal residence is owned 60 percent ~~interest~~ by Parent and 40 percent ~~interest~~ by Child. Parent transfers her 60 percent interest to Child. Child meets all intergenerational transfer exclusion requirements, and the exclusion is applied.

Examples 5-1 and 5-2 demonstrate alternatives using the facts described in Example 5.

Example 5-1: *Transfer to an Existing Owner Eligible Transferee: Zero Excess Amount.* The full cash value of the principal residence is \$1,100,000 on the date of transfer. Since the Excluded Amount (\$1,320,000) is greater than the full cash value of the principal residence, the Excess Amount is zero. The Eligible Transferee's New Taxable Value on the date of transfer is \$192,000 (\$320,000 factored base year value multiplied by the 60 percent interest transferred to Child). Since 40 percent interest in the principal residence was already owned by Child and not transferred, the factored base year value of the Non-Transferred Interest is \$128,000 (\$320,000 factored base year value multiplied by the Child's 40 percent interest not transferred). Thus, the New Taxable Value of the principal residence is \$320,000 (\$192,000 plus \$128,000).

Example 5-2: *Transfer to an Existing Owner Eligible Transferee: Excess Amount.* The full cash value of the principal residence is \$1,500,000 on the date of transfer. Since the full cash value of the

principal residence (\$1,500,000) is greater than the \$1,320,000 Excluded Amount, there is an Excess Amount of \$180,000. Therefore, the Eligible Transferee's New Taxable Value is \$300,000 (\$320,000 factored base year value plus \$180,000 Excess Amount, multiplied by the 60 percent interest transferred to Child). Since 40 percent interest in the principal residence was already owned by Child and not transferred, the factored base year value of the Non-Transferred Interest is \$128,000 (\$320,000 factored base year value multiplied by the Child's 40 percent interest not transferred). Therefore, the New Taxable Value of the principal residence is \$428,000 (\$300,000 plus \$128,000).

Example 6: Transfer to an Existing Owner Eligible Transferee and Non-Eligible Transferee. On June 1, 2022, Parent's principal residence has a factored base year value of \$320,000 and a full cash value of \$1,500,000. The Excluded Amount is \$1,320,000 (\$1,000,000 plus \$320,000 factored base year value). The Excess Amount is \$180,000. Parent's principal residence is owned 60 percent interest by Parent and 40 percent interest by Child. Parent transfers 30 percent interest of her 60 percent interest to Child and her remaining 30 percent interest to Niece. Child meets all intergenerational transfer exclusion requirements, and the exclusion is applied. The Eligible Transferee's New Taxable Value is \$150,000 (\$320,000 factored base year value plus \$180,000 Excess Amount, multiplied by the 30 percent interest transferred to Child). Since 30 percent of the principal residence was transferred to Niece, a non-eligible transferee, the Noneligible Transferee's New Taxable Value is \$450,000 (\$1,500,000 full cash value multiplied by the 30 percent interest transferred to Niece). Since 40 percent interest in the principal residence was already owned by Child and not transferred, the factored base year value of the Non-Transferred Interests is \$128,000 (\$320,000 factored base year value multiplied by the Child's 40 percent interest not transferred). Therefore, the New Taxable Value of the principal residence is \$728,000 (\$150,000 plus \$450,000 plus \$128,000).

(d) TAXABLE VALUE UPON EXCLUSION REMOVAL.

(1) When the real property is no longer the principal residence or the family farm of an eligible transferee as required by subdivision (a)(2) of this rule, the intergenerational transfer exclusion shall be removed from the property, and its new taxable value upon removal shall be the new base year value calculated pursuant to subdivision (b) of this rule, adjusted by an inflation factor, as provided in subdivision (a) of section 51 of the Revenue and Taxation Code through the year the exclusion is lost. This amount shall be further adjusted as necessary, including for any part of the real property that changes ownership at the time the exclusion is lost, or that previously changed ownership, or that was newly constructed.

(2) Any portion of the real property not reassessed at the time of the removal of the exclusion shall not be subject to supplemental assessment.

Example 7: Calculation of Taxable Value on Exclusion Removal. Parent transfers their principal residence 60 percent interest to Son and 40 percent interest to Daughter. On the date of transfer, the principal residence has a factored base year value of \$150,000 and a full cash value of \$800,000. Since 100 percent interest in the principal residence is transferred, the principal residence's new base year value as determined in subdivision (b) of this rule is \$800,000. Son meets all intergenerational transfer exclusion requirements, and the exclusion is applied. The New Taxable Value of the principal residence, pursuant to subdivision (c) of this rule, at the time the exclusion is first applied is \$150,000. Five years later, Son moves out of the principal residence and no longer qualifies for the exclusion. If the inflation factor was 2 percent each of the five years the property was Son's principal residence, the taxable value of the principal residence at the time Son moves out is \$165,612 (\$150,000 multiplied by the 2 percent adjustment for 5 years).

Examples 7-1 through 7-4 demonstrate alternatives using the facts described in Example 7.

Example 7-1: No Qualifying Subsequent Eligible Transferee: Full Exclusion Removal. Son and Daughter rent the property to a third party. As of the date the principal residence no longer qualifies for the homeowners' exemption, it no longer qualifies for the intergenerational transfer exclusion. Since 100

percent interest in the property is retained by former eligible transferees (Son and Daughter), the taxable value upon removal of the exclusion is the new base year value established at the time of the transfer (\$800,000) adjusted by the inflation factor for five years. Since the inflation factor was 2 percent each of those five years, the new base year value factored for inflation upon removal of the exclusion is \$883,265 (\$800,000 multiplied by the 2 percent adjustment for 5 years).

Example 7-2: Qualifying Subsequent Eligible Transferee: Exclusion Retained. Instead of renting the property to a third party, Daughter moves in within one year of Son moving out (which is 5 years after the transfer from Parent) and meets all intergenerational transfer exclusion requirements. Since the property became the principal residence of another eligible transferee (Daughter) within one year, the intergenerational transfer exclusion is not removed. Therefore, the New Taxable Value, which is the taxable value, of the principal residence remains at \$165,612.

Example 7-3: Qualifying Subsequent Eligible Transferee: Partial Exclusion Removal, Partial Change in Ownership. Instead of renting the property to a third party, Daughter moves in within one year of Son moving out (which is 5 years after the transfer from Parent) and meets all intergenerational transfer exclusion requirements. At the time Son moves out, he sells his 60 percent interest to Daughter when the full cash value of the principal residence was \$900,000. Although the property became the principal residence of another eligible transferee (Daughter) within one year, since 60 percent interest in the principal residence was transferred to Daughter by Son, 60 percent of the exclusion is removed and 60 percent interest in the principal residence is reassessed, since there is no exclusion from reassessment for transfers between siblings. Therefore, the New Taxable Value upon partial removal of the exclusion is \$606,245, which is equal to the reassessed amount of \$540,000 (\$900,000 multiplied by the 60 percent interest sold to Daughter) plus Daughter's retained factored base year value of \$66,245 (\$165,612 multiplied by Daughter's 40 percent interest).

Example 7-4: No Qualifying Subsequent Eligible Transferee: Full Exclusion Removal, Partial Change in Ownership. Son sells his 60 percent interest to Daughter when the full cash value of the principal residence was \$800,000. Daughter rents the property to a third party. Since 60 percent interest in the principal residence was transferred to Daughter by Son, 60 percent of the principal residence must be reassessed, since there is no exclusion from reassessment for transfers between siblings. Therefore, the reassessed amount is \$480,000 (\$800,000 full cash value multiplied by the 60 percent interest sold to Daughter). Additionally, Daughter's 40 percent interest no longer qualifies for the exclusion. However, Daughter's 40 percent interest is not subject to reassessment at this time, but instead becomes a portion (40 percent) of the new base year value that was established at the time of the original transfer (\$800,000), adjusted by the inflation factor for five years, which was previously excluded from reassessment by the intergenerational transfer exclusion. Since the inflation factor was 2 percent each of those five years, that amount is \$883,265 (\$800,000 multiplied by the 2 percent adjustment for 5 years). \$883,265 multiplied by the 40 percent interest in the real property retained by Daughter is equal to \$353,306. Therefore, the new base year value upon partial reassessment and then removal of the remaining exclusion of the principal residence is \$833,306 (\$480,000 plus \$353,306).

Example 8: Calculation of Taxable Value on Exclusion Removal. Parent transfers their principal residence 50 percent interest to Son and 30 percent interest to Daughter, retaining the remaining 20 percent interest. On the date of transfer, the principal residence has a factored base year value of \$150,000 and a full cash value of \$800,000. Since 80 percent interest in the principal residence was transferred, the principal residence's new base year value as determined in subdivision (b) is \$670,000 (\$800,000 full cash value multiplied by the 80 percent interest transferred to Son and Daughter plus \$150,000 factored base year value multiplied by the 20 percent interest retained by Parent).

Part A: Qualifying Eligible Transferee. Son meets all intergenerational transfer exclusion requirements, and the exclusion is applied. The New Taxable Value of the principal residence, pursuant to subdivision (c), at the time the exclusion is first applied is the factored base year value of \$150,000.

Part B: *No Subsequent Qualifying Eligible Transferee: Full Exclusion Removal, Partial Change in Ownership, Partial Interest Retained by Transferor.* Three years later, Son moves out of the principal residence. If the inflation factor was 2 percent each of those three years, the taxable value of the principal residence is \$159,181 (\$150,000 multiplied by the 2 percent adjustment for 3 years). At the time Son moves out, he sells his 50 percent interest to Daughter when the full cash value of the principal residence was \$900,000. Daughter does not use the property as a principal residence and, thus, does not qualify for the intergenerational transfer exclusion. Therefore, the intergenerational transfer exclusion is removed in its entirety. Since 50 percent of the real property was transferred from Son to Daughter, a transfer between siblings for which no exclusion applies, 50 percent of the real property is reassessed. That amount is \$450,000 (\$900,000 full cash value multiplied by the 50 percent interest sold to Daughter). Additionally, the \$670,000 new base year value established at the time of the transfer multiplied by the 2 percent adjustment for three years is equal to \$711,009. This amount must be multiplied by the percent of the real property retained by former eligible transferees (Daughter's 30 percent), which is equal to \$213,303. Finally, the portion of the factored base year value of Parent's retained 20 percent interest is \$31,836 (\$159,181 multiplied by 20 percent). Therefore, the New Taxable Value upon removal of the exclusion of the principal residence is \$695,139 (\$213,303 plus \$450,000 plus \$31,836).

Example 9: *Transfer of a Family Farm with a Principal Residence.* A principal residence and family farm are located on a single, 60-acre legal parcel. The New Taxable Value of the principal residence and family farm are computed separately. The factored base year value of the entire legal parcel is \$450,000, \$200,000 of which is attributable to the principal residence and \$250,000 of which is attributable to the family farm. The full cash value of the legal parcel is \$2,800,000, \$1,200,000 of which is attributable to the principal residence and \$1,600,000 of which is attributable to the family farm. Parent transfers the entire legal parcel to Child on July 8, 2021. All other intergenerational transfer exclusion requirements have been met. The Excluded Amount of the principal residence is \$1,200,000 (\$1,000,000 plus \$200,000 factored base year value of the residence). Since the full cash value of the residence is not greater than the Excluded Amount of the residence, the New Taxable Value of the residence is the factored base year value of \$200,000. The Excluded Amount of the family farm is \$1,250,000 (\$1,000,000 plus \$250,000 factored base year value of the family farm). Since the full cash value of the farm is \$1,600,000, it has an Excess Value of \$350,000 (\$1,600,000 full cash value minus \$1,250,000 Excluded Amount). Therefore, the New Taxable Value of the family farm is \$600,000 (\$250,000 factored base year value plus \$350,000 Excess Value). The New Taxable Value of the entire legal parcel is \$800,000 (\$200,000 plus \$600,000).

Example 10: *Calculation of Taxable Value on Exclusion Removal.* Three years after the transfer in Example 9, Child moves out of state and leases the farm to Cousin for five years. The residence no longer qualifies for the exclusion. The family farm remains eligible for the exclusion. If the inflation factor was 2 percent each of the three years the property was Child's principal residence, the taxable value of the family farm is \$636,725 (\$600,000 multiplied by the 2 percent adjustment for 3 years). The taxable value of the principal residence at the time Child moves out is \$1,273,450 (\$1,200,000 multiplied by the 2 percent adjustment for 3 years). Therefore, the New Taxable Value of the entire parcel is \$1,910,175.

(e) DEFINITIONS. The following definitions govern the construction of the words or phrases used in this section.

(1) "Children" means any of the following:

(A) Any child born of the parent or parents, except a child, as defined in subparagraph (D), who has been adopted by another person or persons.

(B) Any stepchild of the parent or parents and the spouse of that stepchild while the relationship of stepparent and stepchild exists. For purposes of this paragraph, the relationship of stepparent and stepchild shall be deemed to exist until the marriage on which the relationship is based is terminated by divorce, or, if the relationship is terminated by death, until the remarriage of the surviving stepparent.

(C) Any son-in-law or daughter-in-law of the parent or parents. For the purposes of this paragraph, the relationship of parent and son-in-law or daughter-in-law shall be deemed to exist until the marriage on which the relationship is based is terminated by divorce, or, if the relationship is terminated by death, until the remarriage of the surviving son-in-law or daughter-in-law.

(D) Any child adopted by the parent or parents pursuant to statute, other than an individual adopted after reaching 18 years of age.

(E) Any foster child of a state-licensed foster parent, if that child was not, because of a legal barrier, adopted by the foster parent or foster parents before the child aged out of the foster care system. For purposes of this paragraph, the relationship between a foster child and foster parent shall be deemed to exist until terminated by death. However, for purposes of a transfer that occurs on the date of death, the relationship shall be deemed to exist on the date of death.

(2) "Disabled veterans' exemption" means the exemption authorized by subdivision (a) of section 4 of article XIII of the California Constitution.

(3) "Eligible transferee" means a parent, child, grandparent, or grandchild of an eligible transferor.

(4) "Eligible transferor" means a grandparent, grandchild, parent, or child of an eligible transferee.

(5) "Factored base year value" means the amount determined pursuant to subdivision (f) of section 110.1 of the Revenue and Taxation Code.

(6) "Family farm" means any real property which is under cultivation or which is being used for pasture or grazing, or that is used to produce any agricultural commodity, as that term is defined in section 51201 of the Government Code as that section read on January 1, 2020. As of January 1, 2020, Government Code section 51201 defined "agricultural commodity" as follows: "Agricultural commodity" means any and all plant and animal products produced in this state for commercial purposes, including, but not limited to, plant products used for producing biofuels, and industrial hemp cultivated in accordance with Division 24 (commencing with Section 81000) of the Food and Agricultural Code.

(7) "Full cash value" means full cash value, as defined in section 2 of article XIII A of the California Constitution and section 110.1 of the Revenue and Taxation Code, with any adjustments authorized by those sections, and the full value of any new construction in progress, determined as of the date immediately prior to the date of a purchase by or transfer to an eligible transferee of real property subject to this section.

(8) "Grandchild" or "grandchildren" means any child or children of the child or children of the grandparent or grandparents.

(9) "Homeowners' exemption" means the exemption provided by subdivision (k) of section 3 of article XIII of the California Constitution.

(10) "Legal parcel" means any parcel of real property that may be separately sold in compliance with the Subdivision Map Act (Division 2 (commencing with Section 66410) of Title 7 of the Government Code), or for which a certificate of compliance has been recognized and recorded.

~~(11)~~ "Principal residence" means a dwelling that is eligible for a homeowners' exemption or a disabled veterans' exemption as a result of the transferor's or transferee's ownership and occupation of the dwelling. "Principal residence" includes that portion of the land underlying the residence that consists of an area of reasonable size that is used as a site for the residence.

(A) A principal residence shall include property owned by a decedent's estate, whether directly or through a trust, if it was the decedent's principal residence immediately prior to their death.

(B) A principal residence shall include an accessory dwelling unit or junior accessory dwelling unit in its appraisal unit if the accessory dwelling unit or junior accessory dwelling unit is not separately alienable from the title of any other dwelling unit on the property and the eligible transferee occupies one of the structures as their primary residence.

- (i) "Accessory dwelling unit" has the same meaning as defined in subdivision (j)(1) of section 65852.2 of the Government Code.
- (ii) "Junior accessory dwelling unit" has the same meaning as defined in subdivision (h)(1) of section 65852.22 of the Government Code.

(4112)"Real property" means real property as defined in section 104 of the Revenue and Taxation Code. Real property does not include any interest in a legal entity, except as provided in this paragraph. For purposes of this section, real property includes any of the following:

(A) An interest in a unit or lot within a cooperative housing corporation, as defined in subdivision (i) of section 61 of the Revenue and Taxation Code.

(B) A pro rata ownership interest in a mobilehome park, as defined in subdivision (b) of section 62.1 of the Revenue and Taxation Code.

(C) A pro rata ownership in a floating home marina, as defined in subdivision (c) of section 62.5 of the Revenue and Taxation Code.

(4213)"Transfer" includes, and is not limited to, any transfer of the present beneficial ownership of property through the medium of an inter vivos or testamentary trust.

~~(13) "Transfer between parents and their children" means either a transfer from a parent or parents to their child or children or a transfer from a child or children to their parent or parents.~~

(14) "Transfer between grandparents and their grandchildren" means a transfer from a grandparent or grandparents to their grandchild or grandchildren or a transfer from a grandchild or grandchildren to their grandparent or grandparents.

(15) "Transfer between parents and their children" means either a transfer from a parent or parents to their child or children or a transfer from a child or children to their parent or parents.

(f) FILING.

(1) Homeowners' or Disabled Veterans' Exemption Claim.

(A) A transferee who files a claim for the homeowners' or disabled veterans' exemption within one year of the purchase or transfer of the family home shall be entitled to a refund of taxes previously owed or paid, as a result of not having filed a homeowners' or disabled veterans' exemption, between the date of the transfer and the date the transferee claims the homeowners' exemption or disabled veterans' exemption.

(B) A transferee who is otherwise eligible for this exclusion and files a claim for the homeowners' or disabled veterans' exemption after one year of the purchase or transfer of the family home shall only receive the intergenerational transfer exclusion commencing with the lien date of the assessment year in which the claim is filed. The adjusted full cash value of the family home in that assessment year shall be the adjusted base year value of the family home in the assessment year in which the excluded purchase or transfer took place, factored to the assessment year in which the exemption was filed for both inflation

as annually determined in accordance with paragraph (1) of subdivision (a) of section 51 of the Revenue and Taxation Code and any subsequent new construction occurring with respect to the family home.

(42) Exclusion Claim Form. To request the intergenerational transfer exclusion, an eligible transferor and eligible transferee shall file a claim form, designed by the State Board of Equalization, with the county assessor in the county in which the principal residence is located.

(A) The claim form shall include a written certification signed and made under penalty of perjury, of the following:

- (i) that the transferee is a parent, child, grandparent, or grandchild of the transferor and that the transferor is their parent, child, grandparent, or grandchild;
- (ii) in the case of a grandparent-grandchild transfer, that all the parents of the grandchild or grandchildren who qualify as children of the grandparents were deceased as of the date of the transfer;
- (iii) that the transferor will not file a claim to transfer the base year value of the property under either section 2, subdivision (a) or section 2.1, subdivision (b) of article XIII A of the California Constitution;
- (iv) that the real property is the transferor's principal residence or family farm; and
- (v) that the real property is or will become within one year the transferee's principal residence or family farm and a homeowners' exemption claim form will be filed, the property will continue to be the principal residence or the family farm of an eligible transferee, and the eligible transferee will notify the assessor if the real property is no longer the principal residence or the family farm of an eligible transferee.

(B) The claim form may be filed and the certification made by the transferor's or eligible transferee's legal representative, the trustee of the transferor's or eligible transferee's trust, or the executor or administrator of the transferor's or eligible transferee's estate.

(C) If there are multiple transferees, the claim form may be filed and the certification made by any one of the eligible transferees.

(D) The claimant shall provide substantiation of any matter certified pursuant to this paragraph at the request of the county assessor.

(23) Except as provided in paragraph (34), any claim under this section shall be filed within three years after the date of the transfer of real property for which the claim is filed, or prior to transfer of the real property to a third party, whichever is earlier. However, a claim shall be deemed to be timely filed if it is filed within six months after the date of mailing of a notice of supplemental or escape assessment, issued as a result of the transfer of real property for which the claim is filed.

Example 911: Exemption and Exclusion Forms Filed at Time of Transfer. Parent transfers their principal residence to Son and Daughter on March 1, 2021. The property is also the principal residence of Son. Son files a claim for the homeowners' exemption and the intergenerational transfer exclusion claim form at the time of the transfer. Because the homeowners' exemption claim form was filed within one year of the date of transfer as required by subdivision (a)(1)(A) and the intergenerational transfer exclusion claim form was filed within three years of the date of the transfer of the property as required by subdivision (f)(2), both filing requirements have been satisfied and, as long as Child meets all other eligibility requirements, the New Taxable Value as of March 1, 2021, will be calculated pursuant to subdivision (c) of this section.

Example 911-1: Exemption and Exclusion Forms Filed at Time of Transfer to Subsequent Eligible Transferee. A number of years later, Son moves out of the principal residence and Daughter moves in, making it her principal residence. Since Daughter was an eligible transferee of Parent, as long as Daughter files a homeowners' exemption claim form within one year and the intergenerational transfer exclusion claim form within three years, the property remains eligible for the intergenerational transfer exclusion.

Example 4012: Exemption and Exclusion Form Filed Within One Year of Transfer. Parent transfers their principal residence to Child on March 1, 2021. The property is also the principal residence of Child. Child does not file a claim for the homeowners' exemption at the time of transfer, but files the homeowners' exemption and intergenerational transfer exclusion claim forms on February 1, 2022. A change in ownership will be processed as of March 1, 2021, and a new base year value established as of that date. Assuming Child meets all other eligibility requirements, a New Taxable Value as calculated in subdivision (c) of this section will be restored as of March 1, 2021, and Child shall be entitled to a refund of property taxes previously paid or a cancellation of taxes previously owed between March 1, 2021 and January 31, 2022.

Example 4413: Exclusion Form Filed Within Three Years of Transfer. Parent transfers their principal residence to Child on March 1, 2021. The property is also the principal residence of Child. Child files a claim for the homeowners' exemption at the time of the transfer. Child still owns the property as their principal residence on March 1, 2023, and files the intergenerational transfer exclusion claim form on that date. A change in ownership will be processed as of March 1, 2021, and a new base year value established as of that date. Assuming Child meets all other eligibility requirements, a New Taxable Value as calculated in subdivision (c) of this section will be restored as of March 1, 2021, and Child shall be entitled to a refund of property taxes previously paid or a cancellation of taxes previously owed between March 1, 2021 and February 28, 2023.

Example 4214: Exclusion Form Not Filed Within Three Years After of Transfer. Parent transfers their principal residence to Child on March 1, 2021. The property is also the principal residence of Child. Child files a claim for the homeowners' exemption at the time of the transfer. Child does not file an intergenerational transfer exclusion form and receives a notice of supplemental assessment on April 1, 2025. As long as Child files the exclusion claim form within six months of April 1, 2025, and meets all other eligibility requirements, the principal residence will be assessed at its New Taxable Value as of March 1, 2021, calculated pursuant to subdivision (c) of this section. Child shall be entitled to a refund of property taxes previously paid or a cancellation of taxes previously owed between March 1, 2021 and March 31, 2025.

Example 15: Exemption Form Not Filed Within One Year of Transfer. Parent transfers their principal residence to Child on March 1, 2021. The property is also the principal residence of Child. Child files an intergenerational transfer exclusion form at the time of transfer but does not file a claim for the homeowners' exemption until a notice of supplemental assessment is received on April 1, 2023. Because Child did not file the homeowners' exemption within one year of the transfer, he is only eligible for prospective relief. The New Taxable Value as calculated in accordance with subdivision (c) of this rule will be enrolled as of January 1, 2023.

Example 16: Property Does Not Become Principal Residence of Transferee Within One Year of Transfer. Parent transfers their principal residence to Child on March 1, 2021. Intending to move into the property, Child files an intergenerational transfer exclusion form at the time of transfer. However, Child does not move into the property until June 1, 2022, and files the homeowners' exemption form at that time. Because Child did not move into the property within one year of the transfer, she is not eligible for the exclusion.

(34) If the principal residence real property has not been transferred to a third party, a claim for exclusion filed subsequent to the expiration of the filing periods set forth in paragraph (23) shall be considered by the assessor; however,

(A) Any exclusion granted pursuant to that claim shall apply commencing with the lien date of the assessment year in which the claim is filed.

(B) Under any exclusion granted pursuant to that claim, the value of the real property upon which property taxes shall be based in the assessment year described in subparagraph (A) is the factored base year value calculated with full cash value determined as the date the property first qualified for the intergenerational transfer exclusion.

Example 4317: Parent transfers their principal residence to Child on March 1, 2021. The property is also the principal residence of Child. Child files a claim for the homeowners' exemption at the time of the transfer. Child receives a notice of supplemental assessment on April 1, 2022, and files the exclusion claim form one year later, on April 1, 2023. Assuming Child meets all other eligibility requirements, the principal residence will be assessed at its New Taxable Value on March 1, 2021, as calculated pursuant to subdivision (c) of this rule, adjusted for inflation factor increases pursuant to subdivision (a) of section 51 of the Revenue and Taxation Code.

(5) If the exemption claim required by subdivision (a)(1) of this rule is filed one year after the transfer for which the claim for exclusion required by subdivision (a)(4) of this rule is filed, then the exclusion shall be granted commencing with the lien date of the assessment year in which the last of the two claims is filed.

(46) For purposes of this subdivision, a "third party" is any person, including any legal entity, who is not a transferor or transferee in the transfer for which the claim is being filed. However, a transfer of real property to a parent or child of the transferor or to a grandparent or grandchild of the transferor shall not be considered a transfer to a third party.

(g) ADJUSTMENT OF \$1,000,000

(1) On February 16, 2023, and every other February 16 thereafter, the one million dollar (\$1,000,000) amount described in subdivision (c)(1)(B) of this rule shall be adjusted by the same percent change in the House Price Index for California for the prior calendar year, as determined by the Federal Housing Finance Agency.

(2) The State Board of Equalization shall calculate and publish the adjustments required by this subdivision.

NOTE: Authority cited: Section 15606, Government Code. Reference: Article XIII A, Section 2.1, California Constitution; and Sections 60 and 63.2, Revenue and Taxation Code.

[TEXT OF PROPOSED AMENDMENTS IN UNDERLINE AND STRIKEOUT]

RULE 462.540. CHANGE IN OWNERSHIP – BASE YEAR VALUE TRANSFERS.

(a) GENERAL. Beginning on and after April 1, 2021, any person who is over the age of 55 years, or severely and permanently disabled, or a victim of a wildfire or natural disaster may transfer the factored base year value of their primary residence to a replacement primary residence located anywhere in this state, regardless of the location or value of the replacement primary residence, if all of the following conditions are met:

(1) The person sells the original primary residence within two years of the purchase or new construction of the replacement primary residence. Either the sale of the original primary residence or the purchase or new construction of the replacement primary residence, but not both, may occur before April 1, 2021.

(2) The real property is the person's original primary residence either at the time of its sale, or at the time when the original primary residence was substantially damaged or destroyed by misfortune or calamity, or at the time the person became a victim of a wildfire or natural disaster, or within two years of the purchase or new construction of the replacement primary residence.

(3) The original primary residence undergoes a change in ownership that either:

(A) Subjects that property to reappraisal at its current full cash value; or

(B) Results in a base year value determined in accordance with this section, or sections 69 or 69.3 of the Revenue and Taxation Code, because the property qualifies as a replacement primary residence, dwelling, or property under any of those provisions.

Example 1: A brother and sister are equal co-owners of a primary residence. The sister sells her 50 percent interest to her brother and purchases a separate residence. Even if the sister is otherwise qualified, she is ineligible to transfer her portion of the base year value of the primary residence to her new residence, since the original primary residence did not undergo a 100 percent change in ownership that resulted in a reappraisal of the property at its current full cash value.

(4) The replacement primary residence is purchased or newly constructed within two years of the sale of the original primary residence. The land on which a building, structure, or other shelter constituting a place of abode is newly constructed need not be purchased within two years of the sale of the original primary residence.

Example 2: Owner sells their original primary residence for \$515,000. Owner and two other persons together purchase a replacement primary residence for \$500,000. If Owner is otherwise qualified, the factored base year value of their original primary residence can be transferred to the replacement primary residence. Even though Owner owns only a one-third interest in the replacement primary residence, 100 percent of the original primary residence changed ownership and 100 percent of the replacement primary residence underwent a change in ownership within two years. Only Owner is considered a claimant, even if the other co-owners will benefit from the Owner's base year value transfer.

Example 3: Owner is the sole owner of a primary residence, which has a market value of \$500,000. Co-owner purchases a 50 percent interest in Owner's property for \$250,000. Co-owner sold their original primary residence for \$200,000 and meets all other requirements. Co-owner may not transfer the base year value of their original primary residence to their 50 percent interest in Owner's primary residence, since Owner's primary residence did not undergo a 100 percent change in ownership.

(A) If the replacement primary residence is, in part, purchased and, in part, newly constructed, the date the "replacement primary residence is purchased or newly constructed" is the date of purchase or the date of completion of new construction, whichever is later.

(B) The factored base year value of the original primary residence shall not be transferred to the replacement primary residence until the original primary residence is sold.

Example 4: Owner sells their original primary residence on February 1, 2021. Owner purchased a replacement primary residence on January 10, 2023. Subject to all other conditions and requirements of this section, Owner may transfer the base year value of their original primary residence to their replacement primary residence as of January 10, 2023, since the replacement primary residence was purchased within two years of the sale of the original primary residence.

Example 5: Owner purchased a replacement primary residence on March 10, 2020 and sells their original primary residence on May 5, 2021. Subject to all the other conditions and requirements of this section, Owner may transfer the base year value of their original primary residence to their replacement primary residence as of May 5, 2021, since the replacement primary residence was purchased within two years of the sale of the original primary residence.

(5) The person seeking to transfer the factored base year value of their original primary residence pursuant to this section shall file a claim form, in accordance with subdivision (d), with the assessor of the county in which the replacement primary residence is located.

(6) At the time the claim is filed, the purchased or newly constructed dwelling qualifies as the person's replacement primary residence.

(7) The person has not previously been granted, as a claimant, the property tax relief provided by this section more than two previous times. This paragraph shall not apply to claimants that are victims of wildfires or natural disasters.

Example 6: Husband and wife own an original primary residence as community property. Husband has been granted the relief provided by this section three times previously. Wife has never been granted such relief. Subject to all other conditions and requirements of this section, Husband and Wife may sell their original primary residence and transfer its factored base year value to a purchased or newly constructed replacement primary residence if Wife files a claim for exclusion, since Wife has not used the exclusion more than two previous times.

(b) VALUATION.

(1) If the full cash value of the replacement primary residence is of equal or lesser value than the full cash value of the original primary residence, the new base year value of the replacement primary residence shall be the factored base year value of the original primary residence.

Example 7: The factored base year value of Owner's original primary residence is \$300,000. Owner sells their original primary residence for \$550,000. Owner purchases a replacement primary residence for \$500,000. Since the full cash value of Owner's replacement primary residence (\$500,000) is less than the full cash value of the original primary residence (\$550,000), the new base year value of the replacement primary residence is \$300,000.

(2) If the full cash value of the replacement primary residence is of greater value than the full cash value of the original primary residence, the new base year value of the replacement primary residence shall be the difference between the full cash value of the replacement primary residence and the full cash value of the original primary residence adjusted pursuant to subdivision (c)(2) of this rule, plus the factored base year value of the original primary residence.

Example 8: The factored base year value of Owner's original primary residence is \$300,000. Owner sells their original primary residence for \$550,000 on June 1, 2021. Owner purchases a replacement primary residence for \$600,000 on August 1, 2021. Since the full cash value of Owner's replacement primary residence (\$600,000) is greater than 105 percent of the full cash value of the original primary residence (\$577,500 = \$550,000 multiplied by 1.05), the new base year value of the replacement primary residence is \$322,500 (\$300,000 factored base year value of original primary residence plus ~~\$50,000~~ 22,500, which is the difference between the full cash value of the replacement primary residence (\$600,000) and the adjusted full cash value of the original primary residence (~~\$550,000~~ 577,500)).

~~(3) For purposes of this section, the full cash value of the original primary residence shall be determined as of the date of its sale. The full cash value of the replacement primary residence shall be determined as of the date the replacement primary residence is purchased or newly constructed.~~

(c) DEFINITIONS. For purposes of this section:

(1) "Claimant" means any person claiming the property tax relief provided by this section.

(2) "Equal or lesser value" means that the amount of the full cash value of a replacement primary residence does not exceed one of the following:

(A) One hundred percent of the amount of the full cash value of the original primary residence if the replacement primary residence is purchased or newly constructed prior to the date of the sale of the original primary residence.

(B) One hundred and five percent of the amount of the full cash value of the original primary residence if the replacement primary residence is purchased or newly constructed within the first year following the date of the sale of the original primary residence.

(C) One hundred and ten percent of the amount of the full cash value of the original primary residence if the replacement primary residence is purchased or newly constructed within the second year following the date of the sale of the original primary residence.

~~(23) "Factored base year value" means the amount determined pursuant to subdivision (f) of section 110.1 of the Revenue and Taxation Code as of the date immediately prior to the date that the original primary residence is sold by the claimant, or in the case where the original primary residence has been substantially damaged or destroyed by misfortune or calamity or the owner is a victim of wildfire or natural disaster and the owner does not repair or rebuild the original primary residence, determined as of the date immediately prior to the misfortune or calamity or the wildfire or natural disaster. If the replacement primary residence is purchased or newly constructed after the transfer of the primary residence, "factored base year value of the primary residence" also includes any inflation factor adjustments permitted by subdivision (f) of Section 110.1 for the period from the date of its sale by the claimant to the date on which the replacement primary residence was purchased or newly constructed. The base year or years used to compute the "factored base year value of the primary residence" shall be deemed to be the base year or years of any property to which that base year value is transferred.~~

~~(34) "Full cash value" means full cash value, as defined in section 110 of the Revenue and Taxation Code. In the case where the claimant is a victim of a wildfire or natural disaster, the full cash value of the original primary residence is determined in accordance with section 110 of the Revenue and Taxation Code immediately prior to the wildfire or natural disaster, as determined by the county assessor of the county in which the property is located, plus the adjustments permitted by subdivision (b) of section 2 of article XIII A of the California Constitution and subdivision (f) of section 110.1 of the Revenue and Taxation Code, for the period from the date of its sale by the claimant to the date on which the replacement primary residence was purchased or newly constructed.~~

(A) For purposes of this section, the full cash value of the original primary residence shall be determined as of the date of its sale.

(B) In the case where the claimant is a victim of a wildfire or natural disaster or the original primary residence has been substantially damaged or destroyed by misfortune or calamity, and the owner does not rebuild on the property, the full cash value of the original primary residence is determined in accordance with section 110 of the Revenue and Taxation Code immediately prior to the wildfire or natural disaster or misfortune or calamity, as determined by the county assessor of the county in which the property is located, plus the adjustments permitted by subdivision (b) of section 2 of article XIII A of the California Constitution and subdivision (f) of section 110.1 of the Revenue and Taxation Code, for the period from the date of its sale by the claimant to the date on which the replacement primary residence was purchased or newly constructed.

(C) The full cash value of the replacement primary residence shall be determined as of the date the replacement primary residence is purchased or newly constructed. If new construction is completed after a base year value transfer claim has been approved as provided for in subdivision (f) of this rule, the full cash value of only the new construction will be determined as of the date of completion of new construction.

(D) The full cash value of the replacement primary residence, both the land and the building, structure, or other shelter constituting a place of abode, shall be determined as of the date the building, structure, or other shelter constituting a place of abode is newly constructed.

(5) "Greater value" means a value that is not of "equal or lesser value".

~~(46)~~ "Natural disaster" means the existence, as declared or proclaimed 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.

~~(57)~~ "Original primary residence" means a building, structure, or other shelter constituting a place of abode, whether real property or personal property, that is owned by a claimant as their principal residence, and any land owned by the claimant on which the building, structure, or other shelter is situated. For property substantially damaged or destroyed by wildfire or natural disaster, "original primary residence" includes vacant land on which a claimant's primary residence was located as of the date of the disaster.

~~(68)~~ "Over 55 years of age" means any person who has attained the age of 55 years or older at the time of the sale of the original primary residence.

~~(79)~~ "Person" means any individual, but does not include any firm, partnership, association, corporation, company, or other legal entity or organization of any kind. "Person" includes an individual who is the present beneficiary of a trust.

~~(810)~~ "Primary residence" and "principal residence" mean a residence eligible for either the homeowners' exemption authorized by subdivision (k) of section 3 of article XIII of the California Constitution or the disabled veterans' exemption authorized by subdivision (a) of section 4 of article XIII of the California Constitution, and includes any land owned by the claimant on which the building, structure, or other shelter is situated.

~~(911)~~ "Replacement primary residence" means a building, structure, or other shelter constituting a place of abode, whether real property or personal property, that is purchased or newly constructed by a claimant as their principal residence, and any land owned by the claimant on which the building, structure, or other shelter is situated.

~~(4012)~~ For purposes of defining "original primary residence," "primary residence," "principal residence," and "replacement primary residence," the following shall apply:

(A) Land constituting a part of the property includes only that area of reasonable size that is used as a site for a residence, and "land owned by the claimant" includes:

- (i) Land for which the claimant either holds a leasehold interest described in subdivision (c) of section 61 of the Revenue and Taxation Code or a land purchase contract; and
- (ii) An ownership interest in a resident-owned mobilehome park that is assessed pursuant to subdivision (b) of section 62.1 of the Revenue and Taxation Code.

(B) Each unit of a multiunit dwelling shall be considered a separate primary residence.

(C) For purposes of this paragraph, "area of reasonable size that is used as a site for a residence" includes all land if any nonresidential uses of the property are only incidental to the use of the property as a residential site.

~~(4413)~~ "Sale" means any change in ownership of the original primary residence for consideration.

(14) "Severely and permanently disabled" means any person described in subdivision (b) of section 74.3 of the Revenue and Taxation Code.

~~(4215)~~ "Social security number" also includes a taxpayer identification number issued by the Internal Revenue Service in the case in which the taxpayer is a foreign national who cannot obtain a social security number.

(16) Property is "substantially damaged or destroyed by misfortune or calamity" if either the land or the improvements sustain physical damage amounting to more than 50 percent of either the land's or the improvement's full cash value immediately prior to the misfortune or calamity. Damage includes a diminution in the value of property as a result of restricted access to the property where the restricted access was caused by the misfortune or calamity.

~~(4317)~~ "Victim of a wildfire or natural disaster" means the owner of an original primary residence that has been substantially damaged as a result of a wildfire or natural disaster that amounts to more than 50 percent of the improvement value of the original primary residence immediately before the wildfire or natural disaster. For purposes of this paragraph, "damage" includes a diminution in the value of the original primary residence as a result of restricted access caused by the wildfire or natural disaster.

~~(4418)~~ "Wildfire" means an unplanned, unwanted wildland fire, including unauthorized human-caused fires, escaped wildland fire use events, escaped prescribed fire projects, and all other wildland fires where the objective is to extinguish the fire.

(d) CLAIM FILING.

(1) A claimant shall not be eligible for the property tax relief provided by this section unless the claimant provides to the assessor, on a form designed by the State Board of Equalization and that the assessor shall make available upon request, the following information:

(A) The name and social security number of each claimant who is a record owner of the replacement primary residence.

(B) Proof that the claimant was, at the time of the sale of the original primary residence, at least 55 years of age, or severely and permanently disabled, or the victim of a wildfire or natural disaster. In the absence of available proof that a person is over 55 years of age, the claimant shall certify under penalty

of perjury that the age requirement is met. Proof of severe and permanent disability shall be considered a certification, signed by a licensed physician or surgeon of appropriate specialty, attesting to the claimant's severely and permanently disabled condition. In the case of a severely and permanently disabled claimant, either of the following shall also be submitted:

- (i) A certification, signed by a licensed physician or surgeon of appropriate specialty that identifies specific reasons why the disability necessitates a move to the replacement primary residence and the disability-related requirements, including any locational requirements, of a replacement primary residence. The claimant shall substantiate that the replacement primary residence meets disability-related requirements so identified and that the primary reason for the move to the replacement primary residence is to satisfy those requirements. If the claimant, or the claimant's spouse or guardian, so declares under penalty of perjury, it shall be rebuttably presumed that the primary purpose of the move to the replacement primary residence is to satisfy identified disability-related requirements.
- (ii) The claimant's substantiation that the primary purpose of the move to the replacement primary residence is to alleviate financial burdens caused by the disability. If the claimant, or the claimant's spouse or guardian, so declares under penalty of perjury, it shall be rebuttably presumed that the primary purpose of the move is to alleviate the financial burdens caused by the disability.

(C) The address and, if known, the assessor's parcel number of the original primary residence.

(D) The date of the claimant's sale of the original primary residence and the date of the claimant's purchase or new construction of the replacement primary residence.

(E) A statement by the claimant that they occupied the replacement primary residence as their principal place of residence on the date of the filing of their claim.

(F) Any claim under this section shall be filed within three years of the date of the purchase of or the completion of new construction of the replacement primary residence.

(2) A claim for transfer of base year value under this section that is filed after the expiration of the filing period set forth in subparagraph (F) of paragraph (1) of subdivision (d) of this rule shall be considered by the assessor, subject to all of the following conditions:

(A) Any base year value transfer granted pursuant to that claim shall apply commencing with the lien date of the assessment year in which the claim is filed.

(B) The base year value of the replacement primary residence in the assessment year described in subparagraph (A) of paragraph (2) of subdivision (d) of this rule shall be the base year value of the replacement primary residence, as calculated in subdivision (b) of this rule, for the assessment year the replacement primary residence was purchased or newly constructed, adjusted to the assessment year described in subparagraph (A) of paragraph (2) of subdivision (d) of this rule for all of the following:

- (i) Inflation, as annually determined in accordance with paragraph (1) of subdivision (a) of section 51 of the Revenue and Taxation Code.
- (ii) Any subsequent new construction occurring with respect to the subject real property that does not qualify for property tax relief pursuant to the criteria set forth in subparagraphs (A) and (B) of paragraph (4) of subdivision (e) of this rule.

Example 9: Owner purchased a replacement primary residence on March 1, 2021 for \$680,000. Owner sold their original primary residence on March 1, 2022 for \$700,000. The factored base year value

of the Owner's original primary residence at the time of sale was \$300,000. Owner files a claim for a base year value transfer on February 3, 2025. While the Owner is still eligible to file a claim for the base year value transfer, since the claim was not filed within three years of the purchase of the replacement primary residence, the base year value of the original primary residence is transferred to the replacement primary residence as of lien date January 1, 2025, the lien date of the assessment year in which the claim is filed, rather than the date the original primary residence was sold. Thus, the new base year value to be enrolled for the 2025-26 fiscal year is \$300,000 multiplied by the inflation adjustment factor each year until 2025.

(3) To ensure no claimant exceeds the limit on transfers imposed by paragraph (7) of subdivision (a) of this rule, county assessors shall report quarterly to the State Board of Equalization that information from claims filed in accordance with subdivision (d) of this rule and from county records, as is specified by the board, necessary to identify fully all claims under this section allowed by assessors and all claimants who have thereby received relief. The board may specify that the information include all or a part of the names and social security numbers of claimants and the identity and location of the replacement ~~dwelling~~ primary residence to which the claim applies.

(4) A claim filed under this section is not a public document and is not subject to public inspection, except that a claim shall be available for inspection by the claimant or the claimant's spouse, the claimant's or the claimant's spouse's legal representative, the trustee of a trust in which the claimant or the claimant's spouse is a present beneficiary, and the executor or administrator of the claimant's or the claimant's spouse's estate.

(e) TIMING OF TRANSFER.

(1) Upon the timely filing of a claim for relief under this section, the assessor shall adjust the new base year value of the replacement primary residence in conformity with subdivision (b) of this rule. This adjustment shall be made as of the latest of the following dates:

(A) The date the original primary residence is sold.

(B) The date the replacement primary residence is purchased.

(C) The date the new construction of the replacement primary residence is completed.

(2) Any taxes that were levied on the replacement primary residence prior to the filing of the claim on the basis of the replacement primary residence's full cash value at the time of purchase or new construction, and any allowable annual adjustments thereto, shall be canceled or refunded to the claimant to the extent that the taxes exceed the amount that would be due when determined on the basis of the adjusted new base year value.

Example 10: Owner purchased a replacement primary residence on March 1, 2021. The assessor processed a change in ownership and reassessed the property. Owner sold their original primary residence on March 1, 2022. Owner files a claim for a base year value transfer on February 1, 2024. Since the claim was filed within three years of the purchase of the replacement primary residence, the base year value of the original primary residence is transferred to the replacement primary residence as of March 1, 2022, if owner meets all the other conditions and requirements of this section. Any taxes that were levied on the replacement primary residence for the period March 1, 2022 to January 31, 2024, as a result of the change in ownership processed on March 1, 2021, will be canceled or will be refunded.

(3) Notwithstanding section 75.10, chapter 3.5 of the Revenue and Taxation Code (commencing with section 75) shall be utilized for purposes of implementing this subdivision, including adjustments of the new base year value of replacement primary residences acquired prior to the sale of the primary residence.

(f) NEW CONSTRUCTION

(41) In the case where a claim under this section has been timely filed and granted, and new construction is performed upon the replacement primary residence subsequent to the transfer of base year value, the property tax relief provided by this section shall also apply to the replacement primary residence, as improved, and, thus, there shall be no reassessment ~~upon~~ of the replacement primary residence upon completion of the new construction if to the extent both of the following conditions are met: (A) ~~The~~ the new construction is completed within two years of the date of the sale of the original primary residence and the owner notifies the assessor in writing of completion of the new construction within six months after completion.

(B2) ~~If~~ If the full cash value of the new construction on the date of completion, plus the full cash value of the replacement primary residence on the date of acquisition, is of equal or lesser value than the full cash value of the original primary residence adjusted pursuant to subdivision (c)(2) of this rule, the new base year value of the replacement primary residence shall remain the factored base year value of the original primary residence.

Example 11: Owner sold their original primary residence on May 10, 2021 for \$700,000. Owner purchased a replacement primary residence on March 1, 2022 for \$500,000, and filed a base year value transfer claim on March 15, 2022. On April 1, 2022, Owner began to construct an addition to the replacement primary residence and completed new construction on March 1, 2023. The value of the completed new construction was \$100,000. Owner notified the assessor of the completion of the new construction on May 1, 2023. Subject to all the other conditions and requirements of this section, since the full cash value of the new construction (\$100,000) plus the full cash value of the replacement primary residence on the date of purchase (\$500,000) is not more than the full cash value of the original primary residence (\$700,000), the new construction will not be reassessed.

(3) If the full cash value of the new construction on the date of completion, plus the full cash value of the replacement primary residence on the date of acquisition, is of greater value than the full cash value of the original primary residence adjusted pursuant to subdivision (c)(2) of this rule, the new base year value of the replacement primary residence shall be the difference between the full cash value of the replacement primary residence plus the value of the new construction and the full cash value of the original primary residence adjusted pursuant to subdivision (c)(2) of this rule, plus the factored base year value of the original primary residence.

Example 12: Owner sold their original primary residence for \$700,000 when the factored base year value was \$300,000. Several months later, owner purchased a replacement primary residence for \$500,000, and filed a base year value transfer claim. After the claim was accepted, Owner began to construct an addition to the replacement primary residence and completed new construction later that year. The value of the completed new construction was \$250,000. Subject to all the other conditions and requirements of this section, since the full cash value of the new construction (\$250,000) plus the full cash value of the replacement primary residence on the date of purchase (\$500,000) is more than the adjusted full cash value of the original primary residence (\$735,000 = \$700,000 multiplied by 1.05), the new base year value of the replacement primary residence is \$315,000 (\$300,000 factored base year value of original primary residence plus \$15,000, which is the difference between (1) the sum of the full cash value of the replacement primary residence (\$500,000) plus the full cash value of the new construction (\$250,000), and (2) the adjusted full cash value of the original primary residence (\$735,000)).

(fg) MULTIPLE OWNERS. The property tax relief provided by this section shall be available to a claimant who is the co-owner of an original primary residence as a joint tenant, a tenant in common, a community property owner, or a present beneficiary of a trust subject to the following limitations:

(1) If a single replacement primary residence is purchased or newly constructed by all of the co-owners and each co-owner retains an interest in the replacement primary residence, the claimant shall be

eligible under this section whether or not any or all of the remaining co-owners would otherwise be eligible claimants.

(2) If two or more replacement primary residences are separately purchased or newly constructed by two or more co-owners and more than one co-owner would otherwise be an eligible claimant, only one co-owner shall be eligible under this section. These co-owners shall determine by mutual agreement which one of them shall be deemed eligible.

(3) If two or more replacement primary residences are separately purchased or newly constructed by two co-owners who held the primary residence as community property, and both spouses would otherwise be an eligible claimant, only one spouse shall be eligible under this section. They shall determine by mutual agreement which one of them is eligible.

(4) In the case of co-owners whose original primary residence is a unit in a multiunit dwelling, the limitations imposed by paragraph (3) of subdivision (f) of this rule shall only apply to co-owners who occupied the same primary residence within the multiunit dwelling at the time the dwelling was the claimant's original primary residence.

(gh) MULTIUNIT PROPERTY AND MOBILEHOMES. The property tax relief provided by this section shall be available if the claimant's original primary residence or the replacement primary residence, or both, includes, but is not limited to, ~~either~~ of the following:

(1) A unit or lot within a cooperative housing corporation, a community apartment project, a condominium project, or a planned unit development.

(A) If the unit or lot constitutes the original primary residence of the claimant, the assessor shall transfer to the claimant's replacement primary residence only the factored base year value of the claimant's unit or lot and their share in any common area reserved as an appurtenance of that unit or lot.

(B) If the unit or lot constitutes the replacement primary residence of the claimant, the assessor shall transfer the factored base year value of the claimant's primary residence only to the unit or lot of the claimant and their share in any common area reserved as an appurtenance of that unit or lot.

(2) A manufactured home or a manufactured home and any land owned by the claimant on which the manufactured home is situated.

(A) If the manufactured home or the manufactured home and the land on which it is situated constitutes the claimant's original primary residence, the assessor shall transfer to the claimant's replacement primary residence either the factored base year value of the manufactured home or the factored base year value of the manufactured home and the land on which it is situated, as appropriate. If the manufactured home that constitutes the original primary residence of the claimant includes an interest in a resident-owned mobilehome park, the assessor shall transfer to the claimant's replacement primary residence the factored base year value of the claimant's manufactured home and their pro rata portion of the real property of the park. No transfer of factored base year value shall be made by the assessor of that portion of land that does not constitute a part of the original primary residence, as provided in paragraph (10) of subdivision (c) of this rule.

(B) If the manufactured home or the manufactured home and the land on which it is situated constitutes the claimant's replacement primary residence, the assessor shall transfer the factored base year value of the claimant's original primary residence either to the manufactured home or the manufactured home and the land on which it is situated, as appropriate. If the manufactured home that constitutes the replacement primary residence of the claimant includes an interest in a resident-owned mobilehome park, the assessor shall transfer the factored base year value of the claimant's primary residence to the manufactured home of the claimant and their pro rata portion of the park. No transfer of

factored base year value shall be made by the assessor to that portion of land that does not constitute a part of the replacement primary residence, as provided in paragraph (10) of subdivision (c) of this rule.

(3) Accessory dwelling units or junior accessory dwelling units.

(A) Accessory dwelling units or junior accessory dwelling units shall not be considered a separate primary residence or a separate replacement primary residence if:

(i) there is a dwelling unit on the property;

(ii) the only other units on the real property are accessory dwelling units or junior accessory dwelling units;

(iii) any accessory dwelling units and junior accessory dwelling units are not separately alienable from the title of any other dwelling unit on the property; and

(iv) the claimant occupies one of the structures as their primary residence.

(B) "Accessory dwelling unit" has the same meaning as defined in subdivision (j)(1) of section 65852.2 of the Government Code.

(C) "Junior accessory dwelling unit" has the same meaning as defined in subdivision (h)(1) of section 65852.22 of the Government Code.

NOTE: Authority cited: Section 15606, Government Code. Reference: Article XIII A, Sections 2 and 2.1, California Constitution; and Sections 60, 69.5, and 69.6, Revenue and Taxation Code.