STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION
TAXPAYERS' RIGHTS ADVOCATE OFFICE
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October 28, 2022

No. 2022/051

TO COUNTY ASSESSORS AND INTERESTED PARTIES:

TAXPAYERS' RIGHTS ADVOCATE OFFICE
UPDATED INFORMATION SHEETS ON PROPERTY TAX SAVINGS REFLECTING THE PASSAGE OF PROPOSITION 19 –INTERGENERATIONAL TRANSFER EXCLUSIONS AND BASE YEAR VALUE TRANSFERS FOR PERSONS AGE 55 AND OLDER OR DISABLED PERSONS

The State Board of Equalization (BOE) Taxpayers' Rights Advocate Office (TRA Office), under the Morgan Property Taxpayers' Bill of Rights, has an educational role in providing information to taxpayers to assist County Assessors in their efforts to provide education to taxpayers. The TRA Office is committed to education and outreach to help taxpayers understand property tax laws, and to increase their awareness of property tax savings that may be available to them.

After discussion with the California Assessors' Association in 2018, the TRA Office began work to provide such education through the issuance of Information Sheets on Property Tax Savings on available exclusions from reassessment and exemptions to be written in simple, non-technical terms designed specifically for taxpayers. The first generation of Publication 800 series Information Sheets were issued between July 2018 and June 2020.

Intergenerational Transfers

Among the Information Sheets published in July 2018 were those for intergenerational transfers of property between parents and children and from grandparents to grandchildren under the provisions of Propositions 58 and 193, codified by Revenue and Taxation Code section 63.1.[1] However, upon passage of Proposition 19, approved by the voters in November 2020, the laws affecting former intergenerational transfer exclusions under section 63.1 were repealed for all transfers taking place on or after February 16, 2021.[2] The Information Sheets, therefore, required revising to reflect the provisions of Proposition 19 and its implementing statute under section 63.2. Although the intergenerational exclusion laws changed as of February 16, 2021, claims for exclusion under section 63.1 can still be filed for transfers that occurred on or before February 15, 2021; therefore, Information Sheets are needed to address both current law under Proposition 19, as well as prior law.

The TRA Office recently published the following Information Sheets to reflect property tax savings available to taxpayers for intergenerational transfers under current law as of February 16, 2021, and under prior law for transfers that occurred through February 15, 2021:

- Pub 800-1 Information Sheet, *Property Tax Savings: Transfers Between Parents and Children*
- Pub 800-1a Information Sheet, *Property Tax Savings: Transfers Between Parents and Children Occurring On or Before February 15, 2021*

[1] All statutory references are to the Revenue and Taxation Code.
[2] Article XIII A, section 2.1(d), of the California Constitution.

- Pub 800-2 Information Sheet, *Property Tax Savings: Transfers Between Grandparents and Grandchildren*
- Pub 800-2a Information Sheet, *Transfers From Grandparents to Grandchildren Occurring On or Before February 15, 2021*

Base Year Value Transfers

The next two Information Sheets originally published in June 2019 and June 2020, were those for base year value transfers for persons age 55 and older under the provisions of Proposition 60 and 90 as codified by section 69.5, and for disabled persons under the provisions of Proposition 110, also codified by section 69.5. Upon passage of Proposition 19, the laws affecting the former base year value transfer exclusions under section 69.5 changed effective April 1, 2021.[3] The Information Sheets, therefore, required revising to reflect the provisions of Proposition 19 and its implementing statute under section 69.6. Although the base year value transfer laws changed as of April 1, 2021, claims under section 69.5 can still be filed; therefore, Information Sheets are needed to address current law under Proposition 19, as well as prior law.

The TRA Office also recently published the following Information Sheets to reflect property tax savings available to taxpayers for base year value transfers under current law as of April 1, 2021, and under prior law for transfers that occurred through March 31, 2021:

- Pub 800-3 Information Sheet, *Property Tax Savings: Transfer of Property Tax Base to Replacement Property – Age 55 and Older*
- Pub 800-3a Information Sheet, *Property Tax Savings: Transfer of Property Tax Base to Replacement Property – Age 55 and Older Occurring On or Before March 31, 2021*
- Pub 800-4 Information Sheet, *Property Tax Savings: Transfer of Property Tax Base to Replacement Property – Disabled Persons*
- Pub 800-4a Information Sheet, *Property Tax Savings: Transfer of Property Tax Base to Replacement Property – Disabled Persons Occurring On or Before March 31, 2021*

Enclosed are the above-mentioned Information Sheets published in response to changes in law resulting from the passage of Proposition 19. They are available on the BOE's website and can be accessed through the Taxpayers' Rights Advocate webpage at www.boe.ca.gov/tra, under the selection for Taxpayer Education, or directly at https://boe.ca.gov/tra/infosheets.htm. The Information Sheets may be revised in the future, if necessary, to reflect statutory or regulatory changes or published guidance; updated versions will be posted on the BOE's website.

If you have any questions, you may contact the Taxpayers' Rights Advocate Office at 1-916-274-3400.

Sincerely,

/s/ Lisa Thompson

Lisa Thompson
Chief, Taxpayers' Rights Advocate Office

LT:mw
Enclosures

[3] Article XIII A, section 2.1(b), of the California Constitution.

INFORMATION SHEET

www.boe.ca.gov/tra

PROPERTY TAX SAVINGS: TRANSFERS BETWEEN PARENTS AND CHILDREN

The State Board of Equalization Taxpayers' Rights Advocate Office is committed to helping California taxpayers understand property tax laws, and be aware of exclusions and exemptions available to them.

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Transfers of Property Between Parents and Children

Did you know that parents can transfer their home (or family farm) to their children without having the property reassessed to its market value and avoid paying higher property taxes?

In November 2020, California voters approved Proposition 19, which, among other things, provided what is known as an "intergenerational transfer exclusion" that allows the taxable value of a property to remain the same for the person receiving the property (the transferee) as that of the person transferring the property (the transferor), *provided certain conditions are met*. "Taxable value" means the property's base year value plus inflationary adjustments, commonly referred to as the factored base year value.

Normally, when there is a change in ownership, the property is reassessed at market value, which can significantly increase its assessed value and the amount of property taxes owed. This exclusion prevents a family home (or family farm) from being reassessed and avoids a possible large increase in property taxes.

Revenue and Taxation Code (R&TC) section 63.2, which implements the intergenerational exclusion provisions of Proposition 19, allows the family home or family farm to be transferred between parents and children without reassessment, with some market value limitations. The exclusion applies to such property transfers on or after February 16, 2021. (For real property transfers that occurred before February 16, 2021, see Publication 800-1a Information Sheet, *Property Tax Savings: Transfers Between Parents and Children Occurring On or Before February 15, 2021*.)

Note: Proposition 19 allows transfers in either direction—from parents to child(ren) or from child(ren) to parents.

The exclusion is available only under the following conditions:

- The family home must have been the principal residence of the transferor (for example, parent).
- The transferee (for example, child) must live in the home as their primary residence within one year of the transfer and must continue to occupy the family home.
- The transferee (for example, child) must file for the homeowners' or disabled veterans' exemption on the residence ***within one year of the transfer***. If the property was transferred to two or more children, and one moves out and another moves in, a new claim must be filed within one year of the previous child's move-out date.
- A family farm must be under cultivation or being used for pasture or grazing, or to produce any agricultural commodity (plant and animal products produced for commercial purposes); there is no requirement that a family home be on the property.

The parent-child exclusion is available on transfers from a parent or parents to their:

- Biological or adopted child
- Stepchild
- In-law child (for example, daughter-in-law)
- Foster child, in limited cases

Note: Can also be from child to parent.

Potential for Tax Savings

Property taxes are based on the assessed value of your property. For purposes of California property taxation, real property is reassessed at market value when sold or transferred.

As a result of a sale or transfer, the property's assessed value can sometimes increase significantly, resulting in higher property taxes due each year.

If the market value of the property at the time of the transfer or sale is more than the property's factored base year value, then receiving the parent-child transfer exclusion will result in savings for the transferee (for example, child) because the property taxes would be based on the lower value.

If the exclusion is granted, the parent's factored base year value as of the date of transfer will be the same for the child, *as long as the property's current market value does not exceed the factored base year value plus $1 million*. If the market value exceeds this limit, the difference is added to the factored base year value, resulting in a new taxable value for the transferee's property.

Example 1: The parents purchased a family home in 1985, and its factored base year value at the time of the transfer to their child was $300,000, while its current market value was $750,000. Since the current market of the property is less than the factored base year value *plus* $1 million, ($300,000 + $1,000,000 = $1,300,000), the factored base year value of the family home will remain at $300,000 and the child will be paying property taxes based on that value, which is $450,000 less than its $750,000 market value. As a result, the parent-child exclusion will save the child approximately $4,500 in property taxes per year, given the one percent statewide tax rate.

Example 2: The parents purchased a family home in 1985, and its factored base year value at the time of the transfer to their child was $300,000, while its current market value was $1,500,000. Since the current market of the property is more than the factored base year value *plus* $1 million ($300,000 + $1,000,000 = $1,300,000), the difference of $200,000 ($1,500,000 market value - $1,300,000 allowable transferable value) will be added to the parents' factored base year value resulting in a new taxable value of $500,000 ($200,000 difference + $300,000 factored base year value).

The new taxable value is $1,000,000 less than its $1,500,000 market value; therefore, the parent-child exclusion will save the child approximately $10,000 in property taxes per year, given the one percent statewide tax rate.

How to Apply for the Parent-Child Exclusion

Complete form BOE-19-P, *Claim for Reassessment Exclusion for Transfer Between Parent and Child Occurring On or After February 16, 2021*. Obtain the claim form from the County Assessor's office where the property is located. Submit the completed form to the same office.

When to File Your Claim

To qualify for relief *from the date of transfer*, the claim must be filed with the County Assessor within three years of the transfer date, but before transferring the property to a third party. However, a claim is also considered to be timely filed if filed within six months after the date of mailing of the County Assessor's supplemental or escape assessment notice issued for the transfer.

If you don't file the claim on time, you can still obtain relief as long as you still own the property. However, the reduction in property taxes will only be applied for future years, beginning with the year that the claim is filed.

Note: If the property is a family home, a BOE-19-P claim cannot be filed before filing a claim for the homeowners' exemption or disabled veterans' exemption. Remember, you must file for one of these exemptions within one year of the date of transfer

Helpful Hints

- If the property was inherited as a result of a death, the date of death is considered the date of transfer for property tax purposes, not the date the property was distributed. Keep this in mind to ensure you file the claim form timely.
- There is a value cap (or limit) to the excluded amount, equal to the property's factored base year value at the time of transfer plus $1 million; the amount above the cap is added to the transferred factored base year value. Beginning in 2023, the $1 million allowance will be adjusted annually by an inflation factor, which will benefit taxpayers because a higher amount will be excluded from reassessment.

- A family farm comprised of multiple legal parcels may be eligible for an exclusion for each parcel. The legal parcel containing a family home may qualify separately for the exclusion.
- A transfer of property can occur by purchase or gift; it can also occur through a trust. For example, if a parent's property is put into a trust where upon the death of the parent, the children are the beneficiaries of the trust, a transfer occurs as of the date of death.
- The exclusion applies to a family home that continues as a family home by an eligible transferee or a subsequent eligible transferee. Once it is no longer the family home, such as becoming a rental property, the exclusion is removed. A new value is established as of the January 1 lien date following the transferee's move-out date based on the property's market value as of the date the transferee obtained ownership, adjusted annually for inflation.
- There is no limit to the number of times a family home or a family farm may be transferred under the parent-child exclusion.
- If multiple siblings inherit the family home, only one of the siblings needs to live in it. If that sibling moves out and another sibling moves in within one year of the move-out date, the exclusion will continue. (*Note:* The other sibling must also file for the homeowners' or disabled veterans' exemption.)
- The exclusion is not available for transfers of property between siblings. For instance, if the parent gave or sold the property to all the siblings first, the parent-child exclusion can apply at that time; however, if a sibling then buys out the other sibling(s), the portion of the property transferred between siblings will be reassessed.
- If you are 55 or older, and selling your principal residence to your child, your child can benefit by transferring your taxable value to them under the parent-child exclusion. However, you cannot also transfer that same taxable value under R&TC section 69.6 (commonly referred to as a base year value transfer) if you buy a replacement property.
- If the market value of the transferred property is less than its factored base year value at the time of the transfer, then claiming the exclusion would not be beneficial.
- The parent-child exclusion under R&TC section 63.2 applies to real property transfers between parents and children; it does not apply to transfers of legal entities. For example, if the parents own ABC Company that owns a family farm, and all of their partnership interests are transferred to a child, the transfer will not qualify for exclusion from reassessment.

Note: A different exclusion is available under R&TC section 62(r) for the transfer of corporation stock from a parent to child upon the parent's death, where a corporation created between 1975 and 1986 owns property that was the parent's principal residence prior to their death and the child lived in that home from the time the corporation was created. To claim such exclusion, a claimant must file BOE-62-R, *Reassessment Exclusion for Transfer of Corporation Stock from Parent to Child*.

Where to Find Additional Information

Visit the State Board of Equalization's (BOE) website at *www.boe.ca.gov* for property tax information. For comprehensive information on Proposition 19, visit *www.boe.ca.gov/prop19/*. Refer to LTA 2022/012, *Implementation of Proposition 19 Intergenerational Transfer Exclusion,* and Property Tax Rule 462.520, *Exclusion From Change in Ownership - Intergenerational Transfers*.

Visit the County Assessor's website where the property is located. The BOE's website has contact information for each County Assessor in California, available at *www.boe.ca.gov/proptaxes/countycontacts.htm*.

INFORMATION SHEET

PROPERTY TAX SAVINGS: TRANSFERS BETWEEN PARENTS AND CHILDREN

Occurring On or Before February 15, 2021

The State Board of Equalization Taxpayers' Rights Advocate Office is committed to helping California taxpayers understand property tax laws, and be aware of exclusions and exemptions available to them.

Transfers of Property Between Parents and Children

Did you know that there is an exclusion from reassessment for real property transferred between parents and their children?

Revenue and Taxation Code section 63.1 allows property to be transferred between parents and children without reassessment. This exclusion, commonly referred to as Proposition 58, was approved by California voters in 1986, and effective through February 15, 2021. For transfers that occur on or after February 16, 2021, under Proposition 19, see Publication 800-1 Information Sheet, *Property Tax Savings: Transfers Between Parents and Children*.

The exclusion under Proposition 58 is available for the following transfers:

- The transfer of a principal residence (no value limit);
- The transfer of up to one million dollars in assessed value of other real property.

The parent-child exclusion is available on transfers from a parent or parents to their:

- Son or daughter (born to or adopted)
- Stepchild
- Son-in-law or daughter-in-law

(It is also available on transfers from children to their parents.)

Potential for Tax Savings

Property taxes are based on the assessed value of your property. For purposes of property tax assessment in the state of California, real property is reassessed at market value if it is sold or transferred. As a result of the sale or transfer, the assessed value of the property and associated property taxes can sometimes increase significantly.

If the market value of the property at the time of the transfer or sale is more than the property's current assessed value, then savings will result from receiving the parent-child transfer exclusion of section 63.1.

If the exclusion is granted, the current assessed value on the property when the property was owned by the parents will be the same when the property is owned by the child. For example, if the parents purchased the property in 1985 and its assessed value at the time of the transfer to their child was $150,000; and current fair market value of the property is $350,000, then the child will be paying less property tax because the assessed value is $200,000 less than the current market value. This would save the child over $2,000 in property taxes per year.

How to Apply for the Parent-Child Exclusion

Complete form BOE-58-AH, *Claim for Reassessment Exclusion for Transfer Between Parent and Child.*

Obtain the claim form from the County Assessor's office where the property is located. Submit the completed form to the same office.

When to File Your Claim

To qualify for relief from the date of transfer, the claim must be filed with the County Assessor:

- Within three years of the transfer date, but before transferring the property to a third party.

Relief is still available after three years; however, it will only be applied prospectively from the year in which your claim form is filed.

Helpful Hints

- This exclusion is not available for transfers of property between siblings, even if the parent gave or sold the property to the sibling first. *(The portion of the property transferred from your sibling will be reassessed.)*
- The exclusion applies to real property transfers between parents and children, but not to transfers of legal entities between parents and children. For example, if your mother owns ABC Company that owns a building and she transfers all of her corporate voting stock to you, her daughter, the transfer will not qualify for exclusion from reassessment.
- The exclusion applies both ways–it can be applied to either a transfer from a parent to their child or from a child to their parent.
- If you are 55 or older, and selling your principal residence to your child, your child can benefit by transfer of your base year value to them. But you cannot also claim a transfer of base year value to a replacement property you buy under section 69.5.
- If the market value of the transferred property is less than the current assessed value of the property at the time of the transfer, then claiming the exclusion may not be beneficial.
- The one million dollar value cap on a transfer of a non-principal residence property is on the assessed value, not market value.
- The one million dollar cap applies separately to each eligible transferor. For example, a mother and father can each transfer one million dollars of non-principal residence property to their child for a combined total of two million dollars.

Where to Find Additional Information

Visit the State Board of Equalization's website at *www.boe.ca.gov* for property tax information. Answers to frequently asked questions on the parent-child exclusion can be accessed at *www.boe.ca.gov/proptaxes/faqs/propositions58.htm.*

Visit the County Assessor's website where the property is located. The State Board of Equalization's website has contact information for each Assessor in California. This listing is available at *www.boe.ca.gov/proptaxes/countycontacts.htm.*

INFORMATION SHEET

PROPERTY TAX SAVINGS: TRANSFERS BETWEEN GRANDPARENTS AND GRANDCHILDREN

The State Board of Equalization Taxpayers' Rights Advocate Office is committed to helping California taxpayers understand property tax laws, and be aware of exclusions and exemptions available to them.

Transfers of Property Between Grandparents and Grandchildren

Did you know that grandparents can transfer their home (or family farm) to their grandchildren without having the property reassessed to its market value and avoid paying higher property taxes?

In November 2020, California voters approved Proposition 19, which, among other things, provided what is known as an "intergenerational transfer exclusion" that allows the taxable value of a property to remain the same for the person receiving the property (the transferee) as that of the person transferring the property (the transferor), *provided certain conditions are met*. "Taxable value" means the property's base year value plus inflationary adjustments, commonly referred to as the factored base year value.

Normally, when there is a change in ownership, the property is reassessed at market value, which can significantly increase its assessed value and the amount of property taxes owed. This exclusion prevents a family home (or family farm) from being reassessed and avoids a possible large increase in property taxes.

Revenue and Taxation Code (R&TC) section 63.2, which implements the intergenerational exclusion provisions of Proposition 19, allows the family home or family farm to be transferred between grandparents and grandchildren without reassessment, with some market value limitations. The exclusion applies to such property transfers on or after February 16, 2021. (For real property transfers that occurred before February 16, 2021, see Publication 800-2a Information Sheet, *Property Tax Savings: Transfers from Grandparents to Grandchildren Occurring On or Before February 15, 2021.*)

Note: Proposition 19 allows transfers in either direction—from grandparents to grandchild(ren) or from grandchild(ren) to grandparents.

The exclusion is available only under the following conditions:

- The family home must have been the principal residence of the transferor (for example, grandparent).
- The transferee (for example, grandchild) must live in the home as their primary residence within one year of the transfer and must continue to occupy the family home.
- The transferee (for example, grandchild) must file for the homeowners' or disabled veterans' exemption on the residence ***within one year of the transfer***. If the property was transferred to two or more grandchildren, and one moves out and another moves in, a new claim must be filed within one year of the previous grandchild's move-out date.
- A family farm must be under cultivation or being used for pasture or grazing, or to produce any agricultural commodity (plant and animal products produced for commercial purposes); there is no requirement that a family home be on the property.

The grandparent-grandchild exclusion is available on transfers between grandparents and their grandchildren as long as:

- The grandchild's parents are deceased prior to the transfer, or
- The grandparents' child is deceased, and the surviving in-law parent has remarried prior to the date of transfer.

Note: Grandchild is defined by R&TC section 63.2(e) as a child of the child of the grandparent. A child can be a biological or an adopted child, a stepchild, an in-law child (for example, daughter-in-law), or a foster child, in limited cases.

Potential for Tax Savings

Property taxes are based on the assessed value of your property. For purposes of California property taxation, real property is reassessed at market value when sold or transferred. As a result of a sale or transfer, the property's assessed value can sometimes increase significantly, resulting in higher property taxes due each year.

If the market value of the property at the time of the transfer or sale is more than the property's factored base year value, then receiving the grandparent-grandchild transfer exclusion will result in savings for the transferee (for example, grandchild) because the property taxes would be based on the lower value.

If the exclusion is granted, the grandparent's factored base year value as of the date of transfer will be the same for the grandchild, *as long as the property's current market value does not exceed the factored base year value plus $1 million*. If the market value exceeds this limit, the difference is added to the factored base year value, resulting in a new taxable value for the transferee's property.

Example 1: The grandparents purchased a family home in 1980, and its factored base year value at the time of the transfer to their grandchild was $150,000, while its current market value was $650,000. Since the current market of the property is less than the factored base year value *plus* $1 million ($150,000 + $1,000,000 = $1,150,000), the factored base year value of the family home will remain at $150,000 and the grandchild will be paying property taxes based on that value, which is $500,000 less than its $650,000 market value. As a result, the grandparent-grandchild exclusion will save the grandchild approximately $5,000 in property taxes per year, given the one percent statewide tax rate.

Example 2: The grandparents purchased a family home in 1980, and its factored base year value at the time of the transfer to their grandchild was $150,000, while its current market value was $1,250,000. Since the current market of the property is more than the factored base year value *plus* $1 million ($150,000 + $1,000,000 = $1,150,000), the difference of $100,000 ($1,250,000 market value - $1,150,000 allowable transferable value) will be added to the grandparents' factored base year value resulting in a new taxable value of $250,000 ($100,000 difference + $150,000 factored base year value). The new taxable value is $1,000,000 less than its $1,250,000 market value; therefore, the grandparent-grandchild exclusion will save the grandchild approximately $10,000 in property taxes per year, given the one percent statewide tax rate.

How to Apply for the Grandparent-Grandchild Exclusion

Complete form BOE-19-G, *Claim for Reassessment Exclusion for Transfer Between Grandparent and Grandchild Occurring On or After February 16, 2021*. Obtain the claim form from the County Assessor's office where the property is located. Submit the completed form to the same office.

When to File Your Claim

To qualify for relief *from the date of transfer*, the claim must be filed with the County Assessor within three years of the transfer date, but before transferring the property to a third party. However, a claim is also considered to be timely filed if filed within six months after the date of mailing of the County Assessor's supplemental or escape assessment notice issued for the transfer.

If you don't file the claim on time, you can still obtain relief as long as you still own the property. However, the reduction in property taxes will only be applied for future years, beginning with the year that the claim is filed.

Note: If the property is a family home, a BOE-19-G claim cannot be filed before filing a claim for the homeowners' exemption or disabled veterans' exemption. Remember, you must file for one of these exemptions within one year of the date of transfer.

Helpful Hints

- If the property was inherited as a result of a death, the date of death is considered the date of transfer for property tax purposes, not the date the property was distributed. Keep this in mind to ensure you file the claim form timely.
- If the property owned by the grandparent is transferred to the grandchild and the grandchild's parents are still living, the property will be reassessed at market value on the date of transfer.
- If the property owned by the grandparent is transferred to the grandchild and the grandchild's parents are deceased, but a stepparent is still living, the property is eligible for exclusion.
- If a grandchild's parents divorced and the only living parent is not the child of the grandparents, then the transfer by the grandparent to the grandchild is eligible for exclusion.
- There is a value cap (or limit) to the excluded amount, equal to the property's factored base year value at the time of transfer plus $1 million; the amount above the cap is added to the transferred factored base year value.

  Beginning in 2023, the $1 million allowance will be adjusted annually by an inflation factor, which will benefit taxpayers because a higher amount will be excluded from reassessment.
- A family farm comprised of multiple legal parcels may be eligible for an exclusion for each parcel. The legal parcel containing a family home may qualify separately for the exclusion.
- A transfer of property can occur by purchase or gift; it can also occur through a trust. For example, if a grandparent's property is put into a trust where upon the death of the grandparent, the grandchildren are the beneficiaries of the trust, a transfer occurs as of the date of death.
- The exclusion applies to a family home that continues as a family home by an eligible transferee or a subsequent eligible transferee. Once it is no longer the family home, such as becoming a rental property, the exclusion is removed. A new value is established as of the January 1 lien date following the transferee's move-out date based on the property's market value as of the date the transferee obtained ownership, adjusted annually for inflation.
- There is no limit to the number of times a family home or a family farm may be transferred under the grandparent-grandchild exclusion.
- If multiple grandchildren inherit the family home, only one of the grandchildren needs to live in it. If that grandchild moves out and another grandchild moves in within one year of the move-out date, the exclusion will continue. (*Note*: The other grandchild must also file for the homeowners' or disabled veterans' exemption.)
- If you are 55 or older, and selling your principal residence to your grandchild, your grandchild can benefit by transferring your taxable value to them under the grandparent-grandchild exclusion. However, you cannot also transfer that same taxable value under section 69.6 (commonly referred to as a base year value transfer) if your buy a replacement property.
- If the market value of the transferred property is less than its factored base year value at the time of the transfer, then claiming the exclusion would not be beneficial.
- The grandparent-grandchild exclusion applies to real property transfers between grandparents and grandchildren; it does not apply to transfers of legal entities. For example, if your grandmother owns ABC Company that owns an office building and she transfers all of her partnership interests to you, her grandson, the transfer will not qualify for exclusion from reassessment.

Where to Find Additional Information

Visit the State Board of Equalization's (BOE) website at *www.boe.ca.gov* for property tax information. For comprehensive information on Proposition 19, visit *www.boe.ca.gov/prop19/*. Refer to LTA 2022/012, *Implementation of Proposition 19 Intergenerational Transfer Exclusion,* and Property Tax Rule 462.520, *Exclusion from Change in Ownership - Intergenerational Transfers*.

Visit the County Assessor's website where the property is located. The BOE's website has contact information for each County Assessor in California, available at *www.boe.ca.gov/proptaxes/countycontacts.htm.*

INFORMATION SHEET

PROPERTY TAX SAVINGS: TRANSFERS FROM GRANDPARENTS TO GRANDCHILDREN
Occurring On or Before February 15, 2021

The State Board of Equalization Taxpayers' Rights Advocate Office is committed to helping California taxpayers understand property tax laws, and be aware of exclusions and exemptions available to them.

Transfers of Property From Grandparents to Grandchildren

Did you know that there is an exclusion from reassessment of real property transferred from grandparents to grandchildren if the parents of the grandchildren are deceased?

Revenue and Taxation Code section 63.1 allows property to be transferred from grandparents to grandchildren without reassessment if the parents of the grandchildren are deceased. This exclusion, commonly referred to as Proposition 193, was approved by California voters in 1996, and effective through February 15, 2021. For transfers that occur on or after February 16, 2021, under Proposition 19, see Publication 800-2 Information Sheet, *Property Tax Savings: Transfers Between Grandparents and Grandchildren*.

The exclusion under Proposition 193 is available for the following transfers:

- The transfer of a principal residence (no value limit);
- The transfer of up to one million dollars in assessed value of other real property.

The grandparent-grandchild exclusion is available on transfers from a grandparent or grandparents to their grandson or granddaughter as long as:

- The grandchild's parents are deceased prior to the transfer, or
- The grandparents' child is deceased and the surviving in-law parent has remarried prior to the date of transfer.

Potential for Tax Savings

Property taxes are based on the assessed value of your property. For purposes of property tax assessment in the state of California, real property is reassessed at market value if it is sold or transferred. As a result of the sale or transfer, the assessed value of the property and associated property taxes can sometimes increase significantly.

If the market value of the property at the time of the transfer or sale is more than the property's current assessed value, then savings will result from receiving the grandparent-grandchild transfer exclusion of section 63.1.

If the exclusion is granted, the current assessed value on the property when the property was owned by the grandparents will be the same when the property is owned by the grandchild. For example, if the grandparents purchased the property in 1980 and its assessed value at the time of the transfer to their grandchild was $100,000; and current fair market value of the property is $400,000, then the grandchild will be paying less property tax because the assessed value is $300,000 less than the current market value. This would save the grandchild over $3,000 in property taxes per year.

How to Apply for the Grandparent-Grandchild Exclusion

Complete form BOE-58-G, *Claim for Reassessment Exclusion for Transfer from Grandparent to Grandchild.*

Obtain the claim form from the County Assessor's office where the property is located. Submit the completed form to the same office.

When to File Your Claim

To qualify for relief from the date of transfer, the claim must be filed with the County Assessor within three years of the transfer date, but before transferring the property to a third party.

Relief is still available after three years; however, it will only be applied prospectively from the year in which your claim form is filed.

Helpful Hints

- If the property owned by the grandparent is transferred to the grandchildren and their parents are still living, the property will be reassessed at its market value on the date of the transfer.
- The exclusion can only be applied to transfers from grandparents to grandchildren and not the reverse.
- The grandparent-grandchild transfer exclusion applies to real property transfers from grandparents to grandchildren, but not to transfers of interests in legal entities owned by the grandparents. (For example, if your grandmother owns ABC Company that owns a building and she transfers all of her voting stock to you, her grandson, the transfer will not qualify for exclusion from reassessment.)
- If you are 55 or older, and selling your principal residence to your grandchild, your grandchild can benefit by transfer of your base year value to them. But you cannot also claim a transfer of base year value to a replacement property you buy under section 69.5.
- If the market value of the transferred property is less than the current assessed value of the property at the time of the transfer, then claiming the exclusion may not be beneficial.
- The one million dollar value cap on a transfer of non-principal residence property is on the assessed value, not market value.
- The one million dollar cap applies separately to each eligible transferor. For example, a grandmother and grandfather can each transfer one million dollars of non-principal residence property to their grandchild for a combined total of two million dollars.

Where to Find Additional Information

Visit the State Board of Equalization's website at *www.boe.ca.gov* for property tax information. Answers to frequently asked questions on the grandparent-grandchild exclusion can be accessed at *www.boe.ca.gov/proptaxes/faqs/faqspropindex.htm.*

Visit the County Assessor's website where the property is located. The State Board of Equalization's website has contact information for each Assessor in California. The listing is available at *www.boe.ca.gov/proptaxes/countycontacts.htm.*

INFORMATION SHEET

PROPERTY TAX SAVINGS: TRANSFER OF PROPERTY TAX BASE TO REPLACEMENT PROPERTY – AGE 55 AND OLDER

The State Board of Equalization Taxpayers' Rights Advocate Office is committed to helping California taxpayers understand property tax laws, and be aware of exclusions and exemptions available to them.

Transfer of Property Tax Base to Replacement Property – Age 55 and Older

Did you know property owners in California who are age 55 and older can transfer the taxable value of their home when they sell their home and buy or build another home and avoid paying higher property taxes?

In November 2020, California voters approved Proposition 19, which, among other things, allows persons over 55 years of age to transfer the taxable value of their principal residence to a replacement principal residence located in *any* California county, up to three times, *provided certain requirements are met*. This prevents the replacement home from being reassessed at market value due to a change in ownership, which can significantly increase the property taxes from those that were paid on the original residence. "Taxable value" means the property's base year value plus inflationary adjustments, commonly referred to as the factored base year value.

Revenue and Taxation Code (R&TC) section 69.6 implements the base year value transfer provisions under Proposition 19 for persons over 55 years of age for transfers that ***occur on or after April 1, 2021***. (For such transfers that occurred before April 1, 2021, see Publication 800-3a Information Sheet, *Transfer of Property Tax Base to Replacement Property – Age 55 and Older Occurring On or Before March 31, 2021.*)

This base year value transfer is available to a person who is age 55 or older that sells their principal residence (referred to as the original property) and buys or builds a replacement residence (referred to as the replacement property) ***within two years of the sale of the original property***.

To qualify for this exclusion, the following conditions must be met:

- Claimant must be age 55 or older at the time the original property is sold.
- Either the sale of the original home or the purchase or new construction of the replacement home, or both, must occur on or after April 1, 2021.
- The claimant must own and reside in the original property at the time of sale or within two years of the purchase or new construction of the replacement property.
- The original property must have been eligible for the homeowners' or disabled veterans' exemption and the replacement property must be eligible for one of these exemptions.
- The original property must be sold, and the replacement property purchased for consideration. Consideration is defined as something of value such as payment of cash, creation or cancellation of debt, or exchange of other property.

Value Comparison Test and Calculation for Replacement Property's Base Year Value

A claimant may purchase or newly construct a replacement property of any value; however, any value in excess of the original property's market value is added to the original property's transferred base year value. If the replacement property is purchased or newly constructed after the original property is sold, the replacement's market value can exceed the original's market value up to 105 percent of the original's market value if the replacement is purchased within the first year after the sale of the original, or 110 percent within the second year, with no excess added to the transferred taxable value.

If the replacement property is of *equal or lesser value* as compared to the original property, then the factored base year value of the original property, plus any applicable annual inflationary adjustments that occurred between the date the original property was sold and date that the replacement property was purchased or new construction completed, becomes the new base year value of the replacement property.

"Equal or lesser value" means that the full cash value (commonly referred to as market value) of the replacement property does not exceed one of the following:

- 100 percent of the original property's market value if the replacement property is purchased or new construction completed ***before*** the sale of the original property,
- 105 percent of the original property's market value if the replacement property is purchased or new construction completed ***within the first year*** after the sale of the original property,
- 110 percent of the original property's market value if the replacement property is purchased or new construction completed ***within the second year*** after the sale of the original property.

If the replacement property's market value is *greater* than the original property's market value, then the amount above the "equal or lesser value" of the original property's market value is added to the transferred factored base year value.

Therefore, in cases where the replacement property is purchased or newly constructed *before* the sale of the original property, and the replacement's market value exceeds the original's market value, then the difference (excess) will be added to the transferred base year value. If the replacement is purchased or newly constructed *after* the sale of the original property, depending on the time period when the replacement is purchased, the amount above 5% or 10% over the original property's market value is added to the transferred base year value.

Example 1- Replacement Purchased Before Sale of Original

The market value of the replacement property at the time of purchase in July 2021 was $730,000. The market value of the original property at the time of its sale in September 2021 was $700,000 and its assessed value (factored base year value) was $225,738. Since the replacement was purchased ***before*** the sale of the original, then 100 percent of the original property's market value would be compared to the replacement property's market value. Since the replacement's market value is greater than that of the original property, the difference of $30,000 ($730,000 - $700,000) is added to the original property's factored base year value of $225,738. The new base year value of the replacement property would therefore be $255,738 ($225,738 + $30,000).

Example 2- Replacement Purchased After Sale of Original

The market value of the replacement property at the time of purchase in September 2021 was $730,000. The market value of the original property at the time of its sale in July 2021 was $700,000 and its assessed value (factored base year value) was $225,738. Since the replacement was purchased within the first year ***after*** the sale of the original property, 105 percent of the original property's market value ($700,000 x 105% = $735,000) would be compared to the replacement property's market value ($730,000). The difference that exceeds 105 percent of the original's market value would then be added to the original's factored base year value. In this case, there is no excess value to be added because the original property's adjusted market value of $735,000 is greater than the replacement property's market value of $730,000. Therefore, the original property's factored base year value of $225,738 would transfer to the replacement property without any excess added.

However, if the market value of the replacement property was $800,000 instead of $730,000, $65,000 in excess value would be added to the $225,738 transferred value. The excess is calculated as follows: $800,000 minus the original's adjusted market value of $735,000 ($700,000 x 105%) = $65,000. The new base year value of the replacement property would then be $290,738 ($225,738 + $65,000).

Potential for Tax Savings

Property taxes are based on the assessed value of your property. For purposes of California property taxation, real property is reassessed at market value when sold or transferred, or upon completion of new construction. As a result of purchasing a different home or building a new one, the property's assessed value can sometimes increase significantly, resulting in higher property taxes due each year.

If the original property's factored base year value is less than the market value of the replacement property, then receiving a base year value transfer will result in savings.

Tax savings of *Example 1* from above: The market value of the replacement property at the time of purchase was $730,000; normally the change in ownership would result in the property being reassessed at its market value, which establishes its new base year. However, because the owner applied and qualified for a base year value transfer, the new base year value of the replacement property is $255,738. This results in lower property taxes because the assessed value of the replacement property is $474,262 lower than its market value ($730,000 - $255,738 = $474,262). Given the one percent statewide tax rate, this would save over $4,742 in property taxes per year.

Tax savings of *Example 2* (scenario 2) from above: The market value of the replacement property at the time of purchase was $800,000; normally the change in ownership would result in the property being reassessed at its market value, which establishes its new base year. However, because the owner applied and qualified for a base year value transfer, the new base year value of the replacement property is $290,738. This results in lower property taxes because the assessed value of the replacement property is $509,262 lower than its market value ($800,000 - $290,738 = $509,262). Given the one percent statewide tax rate, this would save over $5,092 in property taxes per year.

How to Apply for the Base Year Value Transfer Exclusion

Complete form BOE-19-B, *Claim for Transfer of Base Year Value to Replacement Primary Residence for Persons at Least Age 55 Years*. Obtain the claim form from the County Assessor's office where the replacement property is located. Submit the completed form to the same office.

When to File Your Claim

To qualify for this base year value transfer, the claim must be filed with the County Assessor within three years of the date you purchased or completed construction on the replacement home.

The base year value transfer is still available for claims filed after the three-year period; however, the transfer will be granted beginning with the year that the claim is filed.

Helpful Hints

- The original property must be your principal residence at the time of sale or within two years of buying or completing construction on your replacement home; it cannot be your vacation home.
- The replacement property can be purchased within two years (before or after) of the sale of the original property.
- You must be at least age 55 when you sell your original property; but you can be under 55 when you purchase the replacement property.
- If married, only one spouse needs to be at least age 55.
- You can transfer your base year value up to three times under Proposition 19, regardless of whether you already received a base year value transfer prior to April 1, 2021, under Proposition 60 or 90.
- If you buy a replacement property with a market value lower than that of the original property, any new construction completed on the replacement within two years of the sale of the original can be included in the transferred base year value, up to the amount of the original property's market value.
- You cannot benefit from this exclusion if you transfer your original property to your child and your child claims the parent to child exclusion.
- If the market value of the replacement property is less than the factored base year value of the original property at the time of the transfer, then claiming the exclusion is not beneficial.

- If you did not receive the homeowners' or disabled veterans' exemption on the original property, you can still qualify for a base year value transfer if you were eligible for one of these exemptions at the time of sale or within two years of the replacement property's purchase or new construction.
- Property owned by a legal entity (for example, corporation) is not eligible for a base year value transfer.

Where to Find Additional Information

Visit the State Board of Equalization's (BOE) website at *www.boe.ca.gov* for property tax information. For comprehensive information on Proposition 19, visit *www.boe.ca.gov/prop19*.

Refer to LTA 2022/009, *Implementation of Proposition 19: Base Year Value Transfers* and Property Tax Rule 462.540, *Change in Ownership – Base Year Value Transfers*.

Visit the County Assessor's website where the property is located. The BOE's website has contact information for each County Assessor in California, available at *www.boe.ca.gov/proptaxes/countycontacts.htm*.

INFORMATION SHEET

www.boe.ca.gov/tra

PROPERTY TAX SAVINGS: TRANSFER OF PROPERTY TAX BASE TO REPLACEMENT PROPERTY – AGE 55 AND OLDER

Occurring On or Before March 31, 2021

The State Board of Equalization Taxpayers' Rights Advocate Office is committed to helping California taxpayers understand property tax laws, and be aware of exclusions and exemptions available to them.

Transfer of Property Tax Base to Replacement Property – Age 55 and Older

Did you know that there is an exclusion from reassessment for persons age 55 and older when they sell their home, which is their principal residence, and replace it with another?

Revenue and Taxation Code section 69.5 allows persons age 55 and older to transfer the base year value of their current principal residence to a replacement dwelling located in the same county or in some cases another California county.

- Base year value transfers within the same county are intracounty transfers. The exclusion for intracounty transfers, commonly referred to as Proposition 60, was approved by California voters in 1986. and is effective through March 31, 2021. For transfers that occur on or after April 1, 2021, under Proposition 19, see Publication 800-3 Information Sheet, *Property Tax Savings: Transfer of Property Tax Base to Replacement Property – Age 55 and Older*.
- Base year value transfers from one county to another are intercounty transfers. The exclusion for intercounty transfers, commonly referred to as Proposition 90, was approved by California voters in 1988 and was effective through March 31, 2021. For transfers that occur on or after April 1, 2021, under Proposition 19, see Publication 800-3 Information Sheet, *Property Tax Savings: Transfer of Property Tax Base to Replacement Property – Age 55 and Older*. However, for intercounty transfers, the county must have an ordinance in place allowing for transfer of a base year value from another county.

The base year value transfer under Propositions 60/90 is available for the replacement of a principal residence under the following circumstances:

- A person who is 55 or older sells their home, which was their principal residence (referred to as the original property), and purchases a replacement residence or builds a new residence (referred to as the replacement property) within two years of the sale of the original property, and;
- The market value of the replacement property must be of "equal or lesser value" than the original property that was sold. This means 100 percent or less than the original property's market value if the replacement property is purchased before the sale of the original property. It also means that the replacement property's market value can be up to 105 percent of the original property's market value if the replacement property is purchased or newly constructed within the first year after the sale of the original property; and up to 110 percent if the replacement is purchased or newly constructed within the second year after the sale of the original property.
- The original property and replacement property are located in the same county; or if the replacement property is in another county, the county where the replacement property is located has an ordinance accepting a base year value transfer from another county.

Potential for Tax Savings

Property taxes are based on the assessed value of your property. For purposes of property tax assessment in the state of California, real property is assessed at market value when purchased or new construction is complete. As a result of purchasing a different home or building a new one, the assessed value of a person's principal residence and associated property taxes can sometimes increase significantly.

If the original property's assessed value is less than its current market value, savings will result from transferring the base year value of the original property to the replacement property under section 69.5.

If the base year value transfer is granted, the current assessed value on the original property will become the assessed value on the replacement property. For example, if the original property was purchased in 1990 and its assessed value at the time of the sale in 2019 was $200,000; and the market value of the replacement property is $375,000, then the taxes will be less on the replacement property because the assessed value is $175,000 less than its market value. This would save over $1,750 in property taxes per year.

How to Apply for the Base Year Transfer Exclusion

Complete form BOE-60-AH, *Claim of Persons at Least 55 Years of Age for Transfer of Base Year Value to Replacement Dwelling.*

Obtain the claim form from your County Assessor's Office where the replacement property is located. Submit the completed form to the same office.

When to File Your Claim

To qualify for this base year value transfer, the claim form must be filed with the County Assessor:

- Within three years of the date you purchased or completed construction on the replacement property.

Relief is still available after three years; however, it will only be granted beginning with the year your claim form was filed.

Helpful Hints

- The original property must be your principal place of residence at the time of its sale; it cannot be your vacation home.
- The replacement property can be purchased within two years of, either before or after, the sale of the original property.
- You must be age 55 or older when you sell your original property; but you can be under 55 when you purchase the replacement property.
- If you are married, only one of you need to be age 55 or older to benefit from this exclusion.
- It is a one-time benefit; you can't transfer the base year value to a replacement property and later transfer it to another replacement property.
- Although the base year value transfer exclusion for age 55 or older is a one time benefit, the law allows you to receive another base year value transfer if you or your spouse become severely and permanently disabled. Refer to Publication 800-4 for the Taxpayers' Rights Advocate Office Information Sheet discussing a base year value transfer for disabled persons.
- You can't receive the benefit of transferring your base year value to your replacement property under section 69.5 if you transfer your original property to your child and file a claim for parent to child exclusion under section 63.1. The original property must be sold for consideration and subject to reappraisal at its market value at the time of sale.
- Not all 58 California counties accept a base year value transfer from another county; an ordinance must be in place enabling the intercounty base year value transfer.

Where to Find Additional Information

Visit the State Board of Equalization's website at *www.boe.ca.gov* for property tax information. Answers to frequently asked questions for the base year value transfer exclusion for persons age 55 or older can be accessed at *www.boe.ca.gov/proptaxes/prop60-90_55over.htm.*

Visit the County Assessor's website where the replacement property is located. The State Board of Equalization's website has contact information for each Assessor in California. This listing is available at *www.boe.ca.gov/proptaxes/countycontacts.htm.*

INFORMATION SHEET

PROPERTY TAX SAVINGS: TRANSFER OF PROPERTY TAX BASE TO REPLACEMENT PROPERTY – DISABLED PERSONS

The State Board of Equalization Taxpayers' Rights Advocate Office is committed to helping California taxpayers understand property tax laws, and be aware of exclusions and exemptions available to them.

Transfer of Property Tax Base to Replacement Property – Disabled Persons

Did you know property owners in California who are severely and permanently disabled can transfer the taxable value of their home when they sell their home and buy or build another home, and avoid paying higher property taxes?

In November 2020, California voters approved Proposition 19, which, among other things, allows severely and permanently disabled persons to transfer the taxable value of their principal residence to a replacement principal residence located in *any* California county, up to 3 times, *provided certain requirements are met*. This prevents the replacement home from being reassessed at market value due to a change in ownership, which can significantly increase the property taxes from those that were paid on the original residence. "Taxable value" means the property's base year value plus inflationary adjustments, commonly referred to as the factored base year value.

Revenue and Taxation Code (R&TC) section 69.6 implements the base year value transfer exclusion under Proposition 19 for disabled persons for transfers that ***occur on or after April 1, 2021***. (For such transfers that occurred before April 1, 2021, see Publication 800-4a Information Sheet, *Transfer of Property Tax Base to Replacement Property – Disabled Persons Occurring On or Before March 31, 2021*.)

The base year value transfer is available to any severely and permanently disabled person who sells their principal residence (referred to as the original property) and buys or builds a replacement residence (referred to as the replacement property) ***within two years of the sale of the original property***.

To qualify for this exclusion, the following conditions must be met:

- Claimant must be severely and permanently disabled at the time the original property is sold.
- Either the sale of the original home or the purchase or new construction of the replacement home, or both, must occur on or after April 1, 2021.
- The claimant must own and reside in the original property at the time of sale or within two years of the purchase or new construction of the replacement property.
- The original property must have been eligible for the homeowners' or disabled veterans' exemption and the replacement property must be eligible for one of these exemptions.
- The original property must be sold, and the replacement property purchased for consideration. Consideration is defined as something of value such as payment of cash, creation or cancellation of debt, or exchange of other property.

Value Comparison Test and Calculation for Replacement Property's Base Year Value

A claimant may purchase or newly construct a replacement property of any value; however, any value in excess of the original property's market value is added to the original property's transferred base year value. If the replacement property is purchased or newly constructed after the original property is sold, the replacement's market value can exceed the original's market value up to 105 percent of the original's market value if the replacement is purchased within the first year after the sale of the original, or 110 percent within the second year, with no excess added to the transferred taxable value.

If the replacement property is of *equal or lesser value* as compared to the original property, then the factored base year value of the original property, plus any applicable annual inflationary adjustments that occurred between the date the original property was sold and date that the replacement property was purchased or new construction completed, becomes the new base year value of the replacement property.

"Equal or lesser value" means that the full cash value (commonly referred to as market value) of the replacement property does not exceed one of the following:

- 100 percent of the original property's market value if the replacement property is purchased or new construction completed ***before*** the sale of the original property,
- 105 percent of the original property's market value if the replacement property is purchased or new construction completed ***within the first year*** after the sale of the original property,
- 110 percent of the original property's market value if the replacement property is purchased or new construction completed ***within the second year*** after the sale of the original property.

If the replacement property's market value is *greater* than the original property's market value, then the amount above the "equal or lesser value" of the original property's market value is added to the transferred factored base year value.

Therefore, in cases where the replacement property is purchased or newly constructed *before* the sale of the original property, and the replacement's market value exceeds the original's market value, then the difference (excess) will be added to the transferred base year value. If the replacement is purchased or newly constructed *after* the sale of the original property, depending on the time period when the replacement is purchased, the amount above 5% or 10% over the original property's market value is added to the transferred base year value.

Example 1– Replacement Purchased Before Sale of Original

The market value of the replacement property at the time of purchase in August 2021 was $575,000. The market value of the original property at the time of its sale in October 2021 was $555,000 and its assessed value (factored base year value) was $201,465. Since the replacement was purchased *before* the sale of the original, then 100 percent of the original property's market value would be compared to the replacement property's market value. Since the replacement's market value is greater than that of the original property, the difference of $20,000 ($575,000 - $555,000) is added to the original property's factored base year value of $201,465. The new base year value of the replacement property would therefore be $221,465 ($201,465 + $20,000).

Example 2– Replacement Purchased After Sale of Original

The market value of the replacement property at the time of purchase in November 2021 was $575,000. The market value of the original property at the time of its sale in September 2021 was $555,000 and its assessed value (factored base year value) was $201,465. Since the replacement was purchased within the first year *after* the sale of the original property, 105 percent of the original property's market value ($555,000 x 105% = $582,750) would be compared to the replacement property's market value ($575,000). The difference that exceeds 105 percent of the original's market value would then be added to the original's factored base year value. In this case, there is no excess value to be added because the original property's adjusted market value of $582,750 is greater than the replacement property's market value of $575,000. Therefore, the original property's factored base year value of $201,465 would transfer to the replacement property without any excess added.

However, if the market value of the replacement property was $675,000 instead of $575,000, $92,250 in excess value would be added to the $201,465 transferred value. The excess is calculated as follows: $675,000 minus the original's adjusted market value of $582,750 ($555,000 x 105%) = $92,250. The new base year value of the replacement property would then be $293,715 ($201,465 + $92,250).

Potential for Tax Savings

Property taxes are based on the assessed value of your property. For purposes of California property taxation, real property is reassessed at market value when sold or transferred, or upon completion of new construction. As a result of purchasing a different home or building a new one, the property's assessed value can sometimes increase significantly, resulting in higher property taxes due each year.

If the original property's factored base year value is less than the market value of the replacement property, then receiving a base year value transfer will result in savings.

Tax savings of Example 1 from above: The market value of the replacement property at the time of purchase was $575,000; normally the change in ownership would result in the property being reassessed at its market value, which establishes its new base year value. However, because the owner applied and qualified for a base year value transfer, the new base year value of the replacement property is $221,465. This results in lower property taxes because the assessed value of the replacement property is $353,535 lower than its market value ($575,000 - $221,465 = $353,535). Given the one percent statewide tax rate, this would save over $3,535 in property taxes per year.

Tax savings of Example 2 (scenario 2) from above: The market value of the replacement property at the time of purchase was $675,000; normally the change in ownership would result in the property being reassessed at its market value, which establishes its new base year value. However, because the owner applied and qualified for a base year value transfer, the new base year value of the replacement property is $293,715. This results in lower property taxes because the assessed value of the replacement property is $381,285 lower than its market value ($675,000 - $293,715 = $381,285). Given the one percent statewide tax rate, this would save over $3,812 in property taxes per year.

How to Apply for the Base Year Value Transfer Exclusion

Complete two forms: (1) BOE-19-D, *Claim for Transfer of Base Year Value to Replacement Primary Residence for Severely and Permanently Disabled Persons* and (2) BOE-19-DC, *Certificate of Disability*.

Obtain both forms from the County Assessor's Office where the replacement property is located. Submit the completed forms to the same office.

When to File Your Claim

To qualify for this base year value transfer, the claim must be filed with the County Assessor within three years of the date you purchased or completed construction on the replacement home.

The base year value transfer is still available for claims filed after the three-year period; however, the transfer will be granted beginning with the year that the claim is filed.

Helpful Hints

- The original property must be your principal residence at the time of sale or within two years of buying or completing construction on your replacement home; it cannot be your vacation home.
- The replacement property can be purchased within two years (before or after) of the sale of the original property.
- You or your spouse living in the home must be severely and permanently disabled when you sell your original property.
- "Severely and permanently disabled" for purposes of the base year value transfer is defined by Revenue and Taxation Code section 74.3 as: "any person who has a physical disability or impairment, whether from birth or by reason of accident or disease, that results in a functional limitation as to employment or substantially limits one or more major life activities of that person, and that has been diagnosed as permanently affecting the person's ability to function, including, but not limited to, any disability or impairment that affects sight, speech, hearing, or the use of any limbs."
- You or your spouse must have a severe and permanent physical disability such that the primary purpose of moving to a replacement home is to satisfy the disability-related requirements or to alleviate financial burdens caused by the disability.
- Proof of severe and permanent disability is provided through completion of a form that includes a certification by a licensed physician or surgeon identifying the disability and the reasons why a move to a replacement home is necessary.

- There is no age requirement to receive the benefit of a base year value transfer to your replacement property if you or your spouse are severely and permanently disabled.
- You can transfer your base year value up to three times under Proposition 19, regardless of whether a base year value transfer was previously granted prior to April 1, 2021, under Proposition 60, 90, or 110.
- Rather than purchasing a replacement home, you can make changes or additions to your existing home to make it more accessible for a severely and permanently disabled person who is a resident of the home. Such changes would not cause any increase in assessment. For additional information on this exclusion, contact your Assessor's office and obtain form BOE-63, *Disabled Persons Claim for Exclusion of New Construction for Occupied Dwelling*.
- If you buy a replacement property with a market value lower than that of the original property, any new construction completed on the replacement within two years of the sale of the original can be included in the transferred base year value, up to the amount of the original property's market value.
- You cannot benefit from this exclusion if you transfer your original property to your child and your child claims the parent-child exclusion.
- If the market value of the replacement property is less than the factored base year value of the original property at the time of the transfer, then claiming the exclusion is not beneficial.
- If you did not receive the homeowners' exemption or disabled veterans' exemption on the original property, you can still qualify for a base year value transfer if you were eligible for one of these exemptions at the time of sale or within two years of the replacement property's purchase or new construction.
- Property owned by a legal entity (for example, corporation) is not eligible for a base year value transfer.

Where to Find Additional Information

Visit the State Board of Equalization's (BOE) website at *www.boe.ca.gov* for property tax information. For comprehensive information on Proposition 19, visit *www.boe.ca.gov/prop19/*.

Refer to LTA 2022/009, *Implementation of Proposition 19: Base Year Value Transfers* and Property Tax Rule 462.540, *Change in Ownership – Base Year Value Transfers*.

Visit the County Assessor's website where the property is located. The BOE's website has contact information for each County Assessor in California, available at *www.boe.ca.gov/proptaxes/countycontacts.htm*.

INFORMATION SHEET

PROPERTY TAX SAVINGS: TRANSFER OF PROPERTY TAX BASE TO REPLACEMENT PROPERTY – DISABLED PERSONS

Occurring On or Before March 31, 2021

The State Board of Equalization Taxpayers' Rights Advocate Office is committed to helping California taxpayers understand property tax laws, and be aware of exclusions and exemptions available to them.

Transfer of Property Tax Base to Replacement Property – Disabled Persons

Did you know that there is an exclusion from reassessment for persons that are severely and permanently disabled when they sell their principal residence (home), and buy or build another home?

Revenue and Taxation Code section 69.5 allows persons that are severely and permanently disabled to transfer the base year value of their principal residence to a replacement residence located in the same county or, in some cases, another California county.

The base year value transfer under Proposition 110 is available for the replacement of a principal residence under the following circumstances:

- Base year value transfers within the same county are intracounty transfers.
- Base year value transfers from one county to another are intercounty transfers. However, an intercounty transfer can only take place if the county where the replacement property is located has an ordinance in place allowing for transfer of a base year value from another county.
- The base year value transfer for disabled persons is commonly referred to as Proposition 110, which was approved by California voters in 1990, and is effective through March 31, 2021. For transfers that occur on or after April 1, 2021, under Proposition 19, see Publication 800-4 Information Sheet, *Property Tax Savings: Transfer of Property Tax Base to Replacement Property – Disabled Persons*.

The base year value transfer under Proposition 110 is available for the replacement of a principal residence under the following circumstances:

- A person and/or their spouse who is severely and permanently disabled sells their home, which was their principal residence (referred to as the original property), and purchases a replacement residence or builds a new residence (referred to as the replacement property) within two years of the sale of the original property, and;
- The market value of the replacement property must be of "equal or lesser value" than the original property that was sold. "Equal or lessor value" means 100 percent or less than the original property's market value if the replacement property is purchased before the sale of the original property. But, if the replacement property is purchased or newly constructed within the first year after the sale of the original property, then the replacement property's market value can be up to 105 percent of the original property's market value. And, if the replacement property is purchased or newly constructed within the second year after the sale of the original property, then the replacement property's market value can be up to 110 percent of the original property's market value.
- The original property and replacement property are located in the same county; or if the replacement property is located in another county, the county must have an ordinance accepting a base year value transfer from another county.

Potential for Tax Savings

Property taxes are based on the assessed value of your property. For purposes of property tax assessment in the state of California, real property is assessed at market value when purchased or new construction is complete. As a result of purchasing a different home or building a new home, the assessed value of a person's principal residence and associated property taxes can sometimes increase significantly.

If the original property's assessed value is less than its current market value, savings will result from transferring the base year value of the original property to the replacement property under section 69.5.

If the base year value transfer is granted, the current assessed value on the original property (assuming that was its factored base year value) will become the base year value of your replacement property (and basis of the property's assessed value) instead of the replacement property's market value at time of purchase or completion of construction. For example, if the original property was purchased in 1985 and its assessed value at the time of the sale in 2019 was $175,000, and the market value of the replacement property is $395,000, then the taxes will be less on the replacement property because the assessed value would be $220,000 less than its market value. This would save over $2,200 in property taxes per year.

How to Apply for the Base Year Value Transfer

Complete form BOE-62, *Disabled Persons Claim for Transfer of Base Year Value to Replacement Dwelling*, and complete form BOE-62-A, *Certificate of Disability*.

Obtain both forms from the County Assessor's Office where the replacement property is located. Submit the completed forms to the same office.

When to File Your Claim

To qualify for this base year value transfer, the claim form must be filed with the County Assessor:

- Within three years of the date you purchased or completed construction on the replacement property.

Relief is still available after three years; however, it will only be granted starting with the year in which your claim form was filed.

Helpful Hints

- The original property must be your principal place of residence at the time of its sale; it cannot be your vacation home.
- The replacement property can be purchased within two years of, either before or after, the sale of the original property.
- You or your spouse living in the home must be severely and permanently disabled when you sell your original property. "Severely and permanently disabled" for purposes of the base year value transfer is defined by Revenue and Taxation Code section 74.3 as: "any person who has a physical disability or impairment, whether from birth or by reason of accident or disease, that results in a functional limitation as to employment or substantially limits one or more major life activities of that person, and that has been diagnosed as permanently affecting the person's ability to function, including, but not limited to, any disability or impairment that affects sight, speech, hearing, or the use of any limbs."
- You or your spouse must have a severe and permanent physical disability that requires you to move to a new residence to meet the needs of the disability.
- It is a one-time benefit; you can't transfer the base year value to a replacement property to accommodate the needs of a disability and then later request another base year value transfer to a different property.
- If you or your spouse previously received a base year value transfer for being age 55 or older, you are allowed to later transfer the base year value to a replacement property to accommodate the needs of a disability, as long as you or your spouse became severely and permanently disabled after moving to the replacement property to which you were previously granted relief.
- There is no age requirement to receive the benefit of a base year value transfer to your replacement property if you or your spouse are severely and permanently disabled. However, if you receive the benefit before the age of 55, you are not allowed to later transfer your base year value to another property once you or your spouse are age 55 or older.
- You can't receive the benefit of transferring your base year value to your replacement property under section 69.5 as a severely and permanently disabled person if you transfer your original property to your child and file a claim for parent/child exclusion under section 63.1. The original property must be sold for consideration and subject to reappraisal at its market value at the time of sale.
- Not all 58 California counties accept a base year value transfer from another county; an ordinance must be in place enabling the intercounty base year value transfer.
- You can't transfer the base year value to the replacement property until after the existing property is sold.

Where to Find Additional Information

Visit the State Board of Equalization's website at *www.boe.ca.gov* for property tax information. Answers to frequently asked questions for the base year value transfer exclusion for disabled persons can be accessed at *www.boe.ca.gov/proptaxes/faqs/propositions110.htm.*

Visit the County Assessor's website where the replacement property is located. Contact information for the 58 California County Assessors' Offices can be found on the State Board of Equalization's website at *www.boe.ca.gov/proptaxes/countycontacts.htm.*