Introduction to Proposition 19

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Disclaimer

The information presented is intended to provide general and summary information about Proposition 19. It is not intended to be a legal interpretation or official guidance or relied upon for any purpose but is instead a presentation of summary information. If there is a conflict between the information presented and the text of the proposition or its implementation, the text of the proposition or legal interpretation will prevail. It is highly encouraged that you consult an attorney for advice specific to your situation.
What is the California State Board of Equalization?

- Created in 1879 by a constitutional amendment, responsible for ensuring county property tax assessment practices are equal and uniform throughout California.

- The BOE directly assesses the property of regulated railroads and certain public utilities, collects the private railroad car tax, and is responsible for the Alcoholic Beverage Tax, and the Tax on Insurers.

- There are four Equalization Districts with four elected Board Members, representing approximately 9.5 million Californians each. The State Controller, elected at large, serves as the Board’s fifth Member.
Proposition 13 and the Property Tax System

- County Assessors administer the assessment of your property, including real property (*i.e.* land, buildings)
- Proposition 13 passed by the voters in 1978 limits property taxes to 1% of the assessed value of the property
- Proposition 13 limits assessment increases to 2% yearly based on a CPI adjustment
- Your property taxes are only reassessed for a change in ownership or due to new construction
- Exclusions from reassessment are available for specified transfers:
  - Parent-Child
  - Grandparent to Grandchild
  - Seniors (55+)
  - Disabilities
  - Natural Disasters
**Market Value vs. Assessed Value**

- Market value is the market-driven price of any property at a given place and time or what the price a home could be sold for.
- Assessed value of real property is determined by the County Assessor at the time property is purchased, generally the sales price.
- The assessed value will then become the “base year value”
What is Proposition 19?

- On November 3, 2020, California voters approved Proposition 19
- Changes the provisions of the parent-child and grandparent to grandchild exclusions
- Adds new provisions for a base year value transfer of a primary residence for persons at least age 55 or severely disabled or for victims of wildfires or natural disasters
**Parent-Child and Grandparent-Grandchild Exclusion**

*Effective February 16, 2021*

- Must be the principal residence of the parent and continue as principal residence of child (or grandparent and grandchild but parents must be deceased at time of transfer)
- Value limit of current taxable value plus $1 million *(adjusted annually beginning in 2023)*
- Family homes and family farms are included
- No longer can other real property be excluded other than principal residence and family farms
- Must claim homeowners’ exemption or disabled veterans’ exemption and filed within one year of transfer
Proposition 19 Value Limit Test

Example:
At the time of the transfer, a single-family residence has a factored base year value (FBYV) or taxable value of $300,000 and a fair market value of $1,500,000.

1. Calculate the sum of FBYV plus $1,000,000:

\[
\begin{align*}
\text{FBYV/Taxable} & = \text{FBYV} + \text{Prop. 19 Allowance} \\
\$300,000 & + \$1,000,000 = \$1,300,000
\end{align*}
\]

2. Since the fair market value is greater than the excluded amount, calculate the difference between the fair market value and the excluded amount:

\[
\begin{align*}
\text{Fair Market Value} & - \text{Excluded Amount} = \text{Difference} \\
\$1,500,000 & - \$1,300,000 = \$200,000
\end{align*}
\]

3. Thus, the adjusted base year value is $500,000:

\[
\begin{align*}
\text{FBYV/Taxable} + \text{Difference} & = \text{New Taxable Value} \\
\$300,000 & + \$200,000 = \$500,000
\end{align*}
\]
Proposition 19 Base Year Value Transfer
Persons Over Age 55 or Older/Disabled

Effective April 1, 2021

- Must be your principal residence
- Purchase or newly construct your new home within two years of sale of original home
- Anywhere in California
- You can transfer three (3) times
- If the full cash value of the replacement home is greater than the full cash value of the original home, the difference in the full cash values will be added to the transferred factored base year value.
- You must apply for a taxable value transfer with the County Assessor where your new replacement home is located
New Proposition 19 Base Year Value Transfer for Victims of Wildfire or Natural Disaster

Effective April 1, 2021

- Must be your principal residence
- Must purchase or newly construct a new residence within two years of sale of original home
- Anywhere in California
- Wildfire or natural disaster as declared by Governor
- Home must be substantially damaged (more than 50% of the improvement value of the residence)
- Any amount above the full cash value right before the wildfire or natural disaster will be added to the transferred value
Additional Information and Resources

• This information is current as of February 1, 2021
• Implementation Language considered by the State Legislature may change or clarify certain provisions
• We highly recommend that you consult your attorney or tax professional
• Visit www.boe.ca.gov frequently for the latest updates
Contact Us

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