California State Board of Equalization

PROPOSITION 19 FACT SHEET

The California State Board of Equalization (BOE) was created in 1879 by constitutional amendment and charged with the responsibility for ensuring that county property tax assessment practices were equal and uniform throughout the state. The BOE is responsible for property tax programs, alcoholic beverage tax, tax on insurers, and private railroad car tax.

The California Constitution, through the passage of Proposition 13 in 1978, limits the amount of property taxes to 1% of a property's assessed value and caps assessment increases at 2% a year. Additionally, Proposition 13 allows property to be reassessed at market value when there is a change in ownership or upon completion of new construction. On November 3, 2020, California voters approved Proposition 19, *The Home Protection for Seniors, Severely Disabled, Families, and Victims of Wildfire or Natural Disasters Act*. This amendment to California Constitution Article XIII A provides for property tax savings for taxpayers in several exclusion and base year value transfer areas. Depending on the provision, there are two different operative dates, February 16, 2021 and April 1, 2021.

BASE YEAR VALUE (TAXABLE VALUE) TRANSFER – Provisions effective April 1, 2021

For Seniors and Severely Disabled Persons

Allows persons over age 55, or severely disabled of any age, to transfer the "taxable value" of their primary residence (original) to a replacement residence anywhere in the state. "Taxable value" means the base year value plus inflationary adjustments; commonly referred to as a factored base year value. "Primary residence" means a residence eligible for the homeowners' or disabled veterans' exemption.

⇒ Replacement residence must be purchased or newly constructed within two years of the sale of the original home.
⇒ To qualify, there is no limit to the market value of the replacement property compared to the original property; but the amount above the original property's market value is added to the transferred taxable value
⇒ To qualify, both the original and replacement properties must be eligible for the homeowners' or disabled veterans' exemption.
⇒ An application must be filed to transfer the taxable value to the replacement residence.
⇒ Transfer of the taxable value of a primary residence can be done three times.

Benefit: Limits property tax increases for seniors and disabled persons needing to move closer to family or medical care, downsize, or find a home that better fits their needs.

Example #1: If the market value of the replacement residence is less than or equal to the market value of the original, then the taxable value will transfer to the replacement residence with no adjustment needed.

Original Taxable Value = $300,000 | Original Market Value = $900,000 | Replacement Market Value = $700,000

Since the market value of the replacement is ***$200,000 less than*** *the original's market value, the taxable value transferred to the replacement* ***will remain at $300,000****.*

Example #2: If the market value of the replacement residence is more than the market value of the original, then the excess will be added to the taxable value transferred at market value.

Original Taxable Value = $300,000 | Original Market Value = $600,000 | Replacement Market Value = $700,000

Since the market value of the replacement is ***$100,000 more than*** *the original's market value, an adjustment to the transferred taxable value is made to add the difference in value. Therefore, the taxable value of the replacement* ***will be $400,000*** *($300,000 + $100,000).*

For Disaster Victims

Allows victims of a wildfire or natural disaster to transfer the taxable value of their primary residence to a replacement residence anywhere in the state.

⇒ Same conditions and requirements as the taxable value transfer for seniors, except there is no age requirement.
⇒ To qualify, the damage must be from a wildfire or a Governor declared disaster, with the residence substantially damaged. Over half of the improvement value of the home prior to the fire or natural disaster must be damaged to be considered as "substantially damaged."

Benefit: Limits property tax increases for taxpayers that need to replace a damaged home.

Examples: See taxable value transfer examples for seniors above.

PARENT-CHILD & GRANDPARENT-GRANDCHILD EXCLUSION – *effective February 16, 2021*

For Transfers Between Parents and Children

Allows transfers of a family home, or family farm, between parents and their children without causing a change in ownership for property tax purposes. It is an exclusion from change in ownership. “Taxable value” means the base year value plus inflationary adjustments; commonly referred to as factored base year value.

⇒ Applies to a purchase or transfer of a family home between parents and their children if the property continues as the family home of the transferee. The child must live in the home as their primary residence for the exclusion to qualify.

⇒ To qualify, the home must be eligible for the homeowners’ or disabled veterans’ exemption with the exemption applied for within one year of transfer or purchase.

⇒ For a family farm, our current interpretation is that there is no requirement that the family farm contain a home that the transferee lives in to qualify. (Please refer to the BOE website for the latest information.)

⇒ To qualify, the assessed value of the home upon purchase or transfer must meet a value test. The value limit is equal to the home’s taxable value at time of transfer plus $1 million. Any amount of market value exceeding the limit is added to the taxable value for the transferee. Partial relief is granted under the parent child exclusion up to the value limit; with the remainder assessed at market value.

⇒ The $1 million allowance will be adjusted annually beginning in 2023.

Benefit: Limits property tax increases on family homes used as a primary residence by allowing parents to pass on their family home to their children for continued use as a primary residence.

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

Proposition 19 Value Limit Test

1. Calculate the sum of the FBYV plus $1 million:

$300,000 **FBYV/Taxable**	**+**	**$1,000,000** **Prop. 19 Allowance**	**=**	**$1,300,000** **Excluded Amount**

If the home has a market value less than $1,300,000, the child would not have to pay additional property taxes.

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

$1,500,000 **Fair Market Value**	**-**	**$1,300,000** **Excluded Amount**	**=**	**$200,000** **Difference**

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

$300,000 **FBYV/Taxable**	**+**	**$200,000** **Difference**	**=**	**$500,000** **New Taxable Value**

For Transfers Between Grandparents and Grandchildren

Allows transfers of a family home or family farm between grandparents and their grandchildren under limited conditions without causing a change in ownership for property tax purposes. It is an exclusion from change in ownership.

⇒ Same conditions and requirements as the exclusion for transfers between parents and children, except in order to qualify the parents of the grandchild must be deceased.

Benefit: Limits property tax increases on family homes used as a primary residence by allowing grandparents to pass on their family home to their grandchildren for continued use as a primary residence.

Example: See taxable value transfer example for transfers between parents and children above.

This fact sheet was prepared on February 1, 2021. The information is subject to change. Please visit www.boe.ca.gov.

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.