STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION
PROPERTY TAX DEPARTMENT
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August 3 2026

To County Assessors:

No. 2026/026

Proposition 19
Intergenerational Transfer Exclusion
Frequently Asked Questions and Answers

On November 3, 2020, California voters approved Proposition 19, which, in part, added section 2.1 to Article XIII A of the California Constitution. Beginning February 16, 2021, section 2.1 (c) excludes from change in ownership a purchase or transfer of a family farm or a family home between parents and their children or, under limited circumstances, between grandparents and their grandchildren called the intergenerational transfer exclusion. These provisions are implemented by Revenue and Taxation Code[1] section 63.2 and Property Tax Rule[2] (Rule) 462.520.

The intergenerational transfer exclusion under section 63.2 **replaced** the former parent-child and grandparent-grandchild exclusion provisions under section 63.1, commonly known as Proposition 58/193. The parent-child exclusion under the provisions of Proposition 58 and the grandparent-grandchild exclusion under the provisions of Proposition 193 apply exclusively to transfers on or before February 15, 2021.

Since Proposition 19 was adopted in 2020, the State Board of Equalization has issued guidance on the implementation of the intergenerational exclusion in Letters To Assessors Nos. 2021/008, and 2022/012. This letter is meant to work in conjunction with prior guidance and cover questions regarding the family home or principal residences.

Definitions

Section 63.2 and Rule 462.520 provide definitions, briefly described as follows:

1. Children:
   - Any child **born** of the parent or parents, except a child who has been statutorily adopted by another person or persons.
   - Any **stepchild** of the parent or parents and the spouse of that stepchild while the relationship of stepparent and stepchild exists. The relationship of stepparent and stepchild is deemed to exist until the marriage on which the relationship is based is

[1] All statutory references are to the Revenue and Taxation Code unless otherwise indicated.
[2] Property Tax Rule (Rule) refers to title 18 of the California Code of Regulations.

terminated by divorce, or, if the relationship is terminated by death, until the remarriage of the surviving stepparent.

- Any **in-law** child of the parent or parents. The relationship of parent and in-law child is deemed to exist until the marriage on which the relationship is based is terminated by divorce, or, if the relationship is terminated by death, until the remarriage of the surviving in-law child.
- Any child **adopted** by the parent or parents pursuant to statute, other than an individual adopted after reaching 18 years of age.
- Any **foster** child of a state-licensed foster parent, if that child was not, because of a legal barrier, adopted by the foster parent or foster parents before the child aged out of the foster care system. For purposes of this exclusion, the relationship between a foster child and foster parent is deemed to exist until terminated by death. However, for purposes of a transfer that occurs on the date of death, the relationship is deemed to exist on the date of death.

2. Grandchildren — A "grandchild" is defined as a child of the child of the grandparent. As stated previously, this intergenerational transfer exclusion also applies to a purchase or transfer of a family farm or a family home between grandparents and their grandchildren. However, the exclusion only applies in situations where all the parents of the grandchildren, who are children of the grandparent, are deceased as of the date of the transfer. The sole exception to this middle generation requirement is that a stepparent of the grandchild does not need to be deceased in order to qualify for the grandparent-grandchild transfer exclusion.

3. Eligible Transferor or Transferee — a grandparent, parent, child, or grandchild of an eligible transferor or transferee.

4. Excess Amount — the full cash value of the principal residence or family farm on the date of transfer minus the "excluded amount."

5. Excluded Amount — the factored base year value of the principal residence or family farm immediately prior to the date of transfer, plus $1 million. The $1 million is adjusted on February 16, 2023, and every other February 16 thereafter. Also known as the "value cap."

6. Family Farm — any real property under cultivation or which is being used for pasture or grazing, or that is used to produce any agricultural commodity. The term "agricultural commodity" is defined in Government Code section 51201 as any and all plant and animal products produced in California for commercial purposes.

7. Family Home — a dwelling that is eligible for a Homeowners' Exemption or Disabled Veterans' Exemption as a result of the transferor's ownership and occupation of the dwelling. "Family home" or "principal residence" includes only that portion of the land underlying the residence that consists of an area of reasonable size that is used as a site for the residence.

8. Full Cash Value — means full cash value, as defined in section 2 of Article XIII A of the California Constitution and section 110.1, with any adjustments authorized by those sections, and the full value of any new construction in progress, determined as of the date

immediately prior to the date of a purchase by or transfer to an eligible transferee of real property subject to this section.

9. New Base Year Value — the full cash value as of the date of transfer multiplied by the percent ownership of the principal residence or family farm transferred, plus the factored base year value of the percent ownership of the principal residence or family farm not transferred.[3] This value is enrolled should the eligible transferee become ineligible, and the exclusion is removed.[4]

10. New Taxable Value — the sum of the factored base year value of the principal residence or family farm immediately prior to the date of transfer, plus any excess amount, multiplied by the percent interest transferred to eligible transferees, plus the full cash value of the principal residence or family farm as of the date of the transfer multiplied by the percent interest transferred to noneligible transferees, plus the factored base year value of the principal residence or family farm immediately prior to the date of transfer multiplied by the percent interest not transferred.[5]

11. Real Property — land and improvements as defined in section 104. It does not include any interest in a legal entity.

12. Taxable Value — the base year value as determined in accordance with section 110.1 plus any adjustments authorized by subdivision (b) of section 2 of Article XIII A of the California Constitution and subdivision (f) of section 110.1.

13. Transfer — any transfer of the present beneficial ownership of a family home or family farm between a parent and a child or between a grandparent and a grandchild. This includes transfers occurring between the living and those occurring due to death, whether within or outside a trust.

Continual Use Requirement

The family home or family farm must be continually used as the family home or family farm by an eligible transferee or subsequent eligible transferee in order to maintain the intergenerational transfer exclusion. If the family home becomes ineligible for the Homeowners' or Disabled Veterans' Exemption, the exclusion will be removed as of the date the eligible transferee or subsequent eligible transferee is no longer eligible for either exemption.[6] The value to be enrolled on the lien date following the date the exclusion no longer qualifies is the full cash value established as of the change in ownership date (new base year value), adjusted annually for inflation (factored) for the period between the date of change in ownership and the date of enrollment. For a family farm, the exclusion shall be removed as of the date the property is no longer the family farm of an eligible transferee, and the new base year value established at the date of the change in ownership, adjusted annually for inflation, shall be supplementally enrolled.

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[3] Rule 462.520(b)(1).
[4] Rule 462.520(d).
[5] Section 63.2(d) and Rule 462.520(c).
[6] Section 63.2(a)(1)(B) & (C).

Value Cap

The transfer of a family home or each legal parcel of a family farm is also subject to a value cap that is the sum of the property's factored base year value plus $1 million (adjusted every two years). If the full cash value on the date of transfer exceeds the value cap, the amount above the value cap is added to the factored base year value, resulting in a new taxable value. A new taxable value is to be annually adjusted by an inflation factor, as provided in section 51(a).

Filing Requirements

To qualify for an exclusion from a change in ownership for the transfer of a family home, two claim forms must be filed with the County Assessor where the property is located. First, the transferee must file for the Homeowners' or Disabled Veterans' Exemption within one year of the date of purchase or transfer to be considered timely. The transferee must also file for the appropriate intergenerational transfer exclusion within three years of the date of purchase or transfer, or before a transfer to a third party, whichever is earlier. For a transfer of a family farm, the transferee must only file the appropriate intergenerational transfer exclusion form with the County Assessor where the property is located within three years of the date of purchase or transfer, or before a transfer to a third party, whichever is earlier.

However, a claim shall be deemed to be timely filed if it is filed no later than six months after the date of mailing of a notice of supplemental or escape assessment issued as a result of the transfer of real property for which the claim is filed. For properties affected by the 2025 Palisades Fire, Eaton Fire, Hurst Fire, Lidia Fire, Sunset Fire, or Woodley Fire, for which the Governor proclaimed a State of Emergency; claims filed within three years from the date of mailing of a notice of supplemental or escape assessment due to a previously unrecorded change in ownership will be treated as timely for exclusion if specified requirements are met.[7]

If the notice of supplemental or escape assessment is mailed before the end of the first deadline (earlier of the three-year period or third-party transfer), the transferee has until the latter of either the end of the first deadline or six months after the date of the notice of supplemental or escape assessment to file a timely claim. For properties affected by the 2025 Los Angeles and Ventura County disaster areas with claims filed before January 1, 2031, the transferee has until the latter of either the end of the first deadline (earlier of the three-year period or third-party transfer), or three years after the date of the notice of supplemental or escape assessment to file a timely claim.

If all deadlines have expired and the transferee still owns the property, the transferee may file a claim and receive prospective relief only. Prospective relief applies to the lien date of the assessment year in which the claim is filed. The assessment year is the period between lien dates (that is, a calendar year). For example, prospective relief for a claim filed in 2026 will be applied as of the January 1, 2026, lien date for the 2026-27 fiscal year.

[7] Section 63.2(f)(2).

If you have any questions regarding these provisions, please contact the County-Assessed Properties Division at 916-274-3350.

Sincerely,

/s/ David Yeung

David Yeung
Deputy Director Property Tax
Department

DY:lh
Enclosure

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Intergenerational Exclusion Questions and Answers

Principal Residences

1. **Question:** What is a principal residence?

   Answer: A principal residence is defined in section 63.2(e)(5) as a dwelling that is **eligible** for a Homeowners' Exemption or a Disabled Veterans' Exemption as a result of the transferor's ownership and occupation of the dwelling.

   A principal residence is a person's true, fixed, and permanent home and principal establishment to which the owner, whenever absent, intends to return. If the Homeowners' or Disabled Veterans' Exemption was not granted in the name of the transferor, then proof that the real property was the principal residence of the transferor may be requested by the Assessor to determine eligibility. Proof of residency may include, but is not limited to, vehicle registration, voter registration, bank accounts, or income tax records.

   In addition, a principal residence includes only that portion of the land that consists of a reasonable size that is used as a site for the residence.

2. **Question:** How many principal residences can be transferred by an eligible transferor under section 63.2?

   Answer: There is no limit to the number or the value of principal residences that can qualify for the intergenerational transfer exclusion. For example, a parent sells a family home to one child and purchases a smaller home that becomes the parent's new principal residence. After a few years, the parent sells this principal residence to another child and then purchases and moves into a third principal residence. As long as both children meet the residency requirements and file claims, both transfers may qualify for the intergenerational transfer exclusion. If, however, the parent transferred both principal residences to the same child, and that child retained both residences, only one can qualify as the child's principal residence and thus qualify for the intergenerational transfer exclusion. If a residence that previously qualified for the exclusion no longer qualifies, the base year value established as of the change in ownership, adjusted annually for inflation, will be enrolled on the lien date following the date the child no longer qualifies for the Homeowners' or Disabled Veterans' Exemption. Similarly, if the qualifying child does not occupy the parent's second principal residence, it will be ineligible for the intergenerational transfer exclusion and will be reassessed to its full cash value as of the date of purchase or transfer.

3. **Question:** Can a principal residence consist of multiple parcels?

   Answer: Yes, multiple parcels can be considered the principal residence if the parcels make up a single appraisal unit. Factors that may be considered include: related miscellaneous structures (such as a detached garage), minimum zoning requirements, physical terrain, access, actual use, continuous landscaping, and fencing. For example, three one-acre parcels could be considered a principal residence if the zoning for the area requires a minimum of three acres. Under these facts, the three one-acre parcels would be considered an appraisal unit because one parcel could not be sold separately without the other two.

4. **Question:** A Parent owns two contiguous parcels. A house, which is the principal residence, sits on one parcel. The other parcel is a vacant lot. The Parent wants to transfer both properties to their Son. Will both properties qualify as a principal residence?

   Answer: No, only the parcel with the house that is eligible for the Homeowners' or Disabled Veterans' Exemption qualifies as a principal residence unless the parcels are one appraisal unit, as stated above.

5. **Question:** A Parent owns an apartment complex and lives in one of the units as their principal residence. The Parent wants to transfer this complex to their Son. Does the entire complex qualify as a principal residence?

   Answer: No, only the unit occupied as the principal residence qualifies as the principal residence of the transferor. The remainder of the apartment complex would be ineligible for the intergenerational transfer exclusion and would be reassessed at its full cash value as of the date of transfer.

6. **Question:** A Parent owns a home and acreage that is restricted by a Williamson Act contract. The Parent wants to transfer this property to their Son. Does the entire property qualify for the exclusion? What effect will this have on the restricted value calculation?

   Answer: The property may qualify for the exclusion in full or in part. The home that is occupied as the principal residence and the homesite may qualify for the "family home" portion of the intergenerational transfer exclusion. The remainder of the property may qualify separately as a "family farm" provided all requirements are met. Where the transferred property is restricted by a California Land Conservation Act (Williamson Act) or Mills Act contract, the value used for determining the excluded amount when calculating the new taxable value is the adjusted base year value, not the restricted value.

   When property receives a restricted value assessment, such as with the Williamson Act or a Mills Act contract, it is annually valued using a specified income approach, which typically results in a reduced assessment. The restricted value is compared to the factored base year value and current market value, and the lowest of the three values is enrolled. As long as the property qualifies for the intergenerational transfer exclusion, the new taxable value is the factored base year value used in the annual value comparison process.

Occupancy Requirements

7. **Question:** Must the principal residence of the transferor become the principal residence of the transferee after the transfer?

   Answer: Yes, the transfer is required to be of a principal residence of the transferor that qualifies as the principal residence of the transferee within one year after the transfer under section 63.2(a)(1)(A). There are no exceptions to this rule.

8. **Question:** If a child inherits a principal residence as the sole beneficiary and is granted the intergenerational transfer exclusion under Proposition 19, but later moves out, can they move back in within 12 months and continue to receive the exclusion?

   Answer: If there is one eligible claimant and the property no longer qualifies as their principal place of residence, the exclusion shall be removed. The exclusion can continue only if a different eligible transferee occupies the family home as their principal place of residence within one year of the family home no longer qualifying as the principal residence of the previous claimant.[8]

9. **Question:** When children inherit property from their parents, and one child resides in the home and receives the intergenerational transfer exclusion, can that child give their interest in the home to their own children such that the grandchildren benefit from the intergenerational exclusion?

   Answer: Since grandchildren are not part of the initial pool of heirs, they would not be considered "subsequent eligible transferees" as discussed in Rule 462.520. Rather, this would be a second parent-child transfer that must separately qualify for the intergenerational transfer exclusion to avoid reassessment. It is important to note that, unlike transfers under section 63.1, section 63.2 does not prohibit the application of the step transaction doctrine. Thus, if the Assessor determines that a series of transfers was used to circumvent change in ownership laws, they may collapse the steps and treat the series of transfers as having occurred in one single step.

   When multiple transfers to eligible transferees occur, only a single eligible transferee, from any of the transfers, needs to continuously occupy the home to maintain the exclusion.

Homeowners' Exemption

10. **Question:** If the Homeowners' Exemption is removed from a property receiving the intergenerational transfer exclusion, should the Assessor remove the exclusion and issue an escape, or wait one year to see if another eligible transferee moves in and files a Homeowners' Exemption?

    Answer: Section 63.2(a)(1)(C) provides that, "as of the lien date immediately following the date the eligible transferee or subsequent eligible transferee no longer qualifies for the exclusion provided by this section, the base year value established as of the change in ownership date to which the exclusion applied, adjusted annually in accordance with paragraph (1) of subdivision (a) of Section 51, shall be enrolled." Further, Rule 462.520(a)(2) states that, "as of the date the property is no longer the principal residence or the family farm of an eligible transferee, the exclusion shall be removed." Therefore, the Assessor should enroll the adjusted base year value established when the exclusion was applied on the lien date, following the date that the transferee no longer qualifies for the Homeowners' or Disabled Veterans' Exemption, and issue any necessary escapes. If a subsequent eligible transferee becomes eligible for the exclusion within a year, the Assessor would reapply the exclusion and make any necessary corrections.

[8] Rule 462.520(a)(2).

11. **Question:** A parent had dementia and was confined to a care facility for five years prior to their death. The parent's home remained vacant during their confinement to the care facility. Their child inherited the home the parent previously occupied as their principal residence prior to confinement to the care facility. The child then moves into the home within one year of their parent's death, timely files the Homeowners' Exemption, and an appropriate claim for the intergenerational transfer exclusion. Will the residence be considered the parent's principal residence, considering they were unable to occupy it while confined to a care facility and, due to dementia, may have been unable to decide to return to the home?

    Answer: One of the qualifying conditions for the intergenerational transfer exclusion is that the transfer is required to be the principal residence of the transferor. Section 63.2 states that "principal place of residence" means a dwelling that is eligible for a Homeowners' Exemption or a Disabled Veterans' Exemption as a result of the transferor's ownership and occupation of the dwelling. Section 218(b)(4) provides:

    > If a person receiving the exemption is not occupying the dwelling because they are confined to a hospital or other care facility, the person is deemed to occupy that dwelling as their principal place of residence, provided all the following are met:
    >
    > - The person would occupy the dwelling if they were not confined to the hospital or other care facility.
    > - The person intends to return to the dwelling when possible to do so.
    > - The dwelling is not rented or leased to anyone other than an immediate family member.

    Thus, if the parent meets the three factors listed above, the intergenerational transfer exclusion may apply if all other qualifications are met.

12. **Question:** If an eligible transferee no longer qualifies for the intergenerational transfer exclusion, is the Assessor required to notify other eligible transferees that the exclusion will be lost unless one of them meets the residency requirement and files a Homeowners' or Disabled Veterans' Exemption within a year? If so, what is the timeline for a response?

    Answer: Rule 462.520(f)(2)(v) requires the eligible transferee to notify the Assessor if the family home is no longer their principal residence or family farm. Additionally, if the Homeowners' or Disabled Veterans' Exemption is granted and the property later becomes ineligible for the exemption, the assessee is responsible for notifying the Assessor of that fact immediately.

    Under the provisions of Proposition 19, there is no requirement for the Assessor to notify other potential eligible transferees in the event the current eligible transferee no longer qualifies for the exclusion.

13. **Question:** If a parent passes away and the principal residence is sold shortly thereafter, can an eligible transferee still submit claims for an intergenerational transfer exclusion and Homeowners' Exemption and qualify for the period between the date of death and the subsequent sale? What if the Assessor's office does not accept Homeowners' Exemption claims

from people who are no longer the owner of record?

Answer: The law requires the family home to be occupied by the transferee within one year of the qualifying transfer (in this case, date of death) and for the Homeowners' or Disabled Veterans' Exemption to be filed within one year for the exclusion to apply as of the date of transfer. The law does not require the Assessor to be able to apply the Homeowners' Exemption at the time it is filed. As long as the eligible transferee met the one-year residency requirement, they may still receive the exclusion if the Homeowners' Exemption claim was filed within one year of the date of death (regardless of a subsequent sale) and the intergenerational transfer exclusion claim form was also timely filed.

If the residency requirement was met but the exemption claim was filed after the one-year deadline, the intergenerational exclusion cannot be applied prospectively, as the property has been sold.

14. **Question:** A Mom and Dad transfer a 50% interest in their principal residence to their Daughter. The intergenerational transfer exclusion requires that the Daughter file a Homeowners' Exemption, but in this case, the parents still reside there with the child and have an existing Homeowners' Exemption on file. If the Daughter files a Homeowners' Exemption, should we remove one parent's Social Security number and replace it with the Daughter's? Does the Daughter need to file an exemption if the parents already have one and are still living there with her?

    Answer: While section 63.2 requires the Daughter to file the Homeowners' Exemption to receive the intergenerational transfer exclusion, it does not require that the exemption be granted in her name. The Assessor should seek clarification from the taxpayers on whether they want the exemption to continue in the parents' name or be granted in their Daughter's name.

15. **Question:** Can more than one family claim a principal residence on one parcel? For example, two families own one parcel and each has a residence (each has a partial ownership interest in the parcel). Can an eligible transferee from each family claim the intergenerational transfer exclusion for their respective family home? For the purposes of Proposition 19, if two separate Homeowners' Exemption claim forms were filed by the transferors, one for each house, would that be able to qualify both houses as a principal residence if the Assessor had the Homeowners' Exemption claims on record and every other qualification was met?

    Answer: Property Tax Annotation 505.0130 says that a property can have multiple Homeowners' Exemption claims when there are multiple residences. For intergenerational transfer exclusions under Proposition 19, each unit of a multi-unit or multi-family property is considered a separate principal residence. Each unit must individually qualify for the intergenerational exclusion.

    Thus, a multi-family property can qualify for more than one intergenerational exclusion and Homeowners' Exemption. For example, a multi-family property has three residences on one parcel. Three brothers are all on title, and each of them lives separately in one of the homes as their principal residence. All three homes are eligible for the Homeowners' Exemption, even if the parcel only has one parcel number. As such, all three homes are independently eligible for the intergenerational transfer exclusion even if the brothers never claimed the Homeowners' or Disabled Veterans' Exemption.

Conversely, if the home is a single-family residence with one or more accessory dwelling units, it is only eligible for a single Homeowners' or Disabled Veterans' Exemption. Rule 462.520(e)(11)(B) clarifies that a principal residence includes an accessory dwelling unit or junior accessory dwelling unit if certain qualifications are met. In this case, as long as the transferor occupied one dwelling as their principal residence, and the property was thus eligible for the Homeowners' or Disabled Veterans' Exemption, an eligible transferee can make either of the dwellings their principal residence in order to meet the residency requirement of the intergenerational transfer exclusion.

16. **Question:** A Daughter inherits a house, and the intergenerational transfer exclusion is applied. Subsequently, she demolishes the house and rebuilds. Is she still eligible?

    Answer: If the Daughter is still living on the property, then she is eligible to receive the Homeowners' Exemption on the land, and the intergenerational exclusion applied to the land can continue. However, the demolition and new home would be treated as new construction and would receive a new base year value upon completion.

    Alternatively, a Homeowners' Exemption should not be allowed on a dwelling or the land if that dwelling is under construction if the owner lives elsewhere and plans to move into the structure when it is completed.[9] Therefore, if she is living elsewhere, then she would no longer be eligible for the Homeowners' Exemption, and the intergenerational transfer exclusion would be removed in full.

Definition of "Child"

17. **Question:** Does an "equitable adoption" make a child eligible for the intergenerational transfer exclusion?

    Answer: No, section 63.2(e)(1)(D) requires that a child be adopted pursuant to statute prior to the age of 18. A "statutory adoption" means an adoption in accordance with the adoption procedures contained in the Family Code. While an "equitable adoption" established pursuant to Probate Code section 6454 may be recognized in certain legal contexts, it is not a legally formalized adoption under the code and is therefore not considered a formal adoption for purposes of this property tax exclusion. Thus, a child who is not formally adopted under the Family Code before the age of 18 is not considered a child for purposes of the intergenerational transfer exclusion.

18. **Question:** A Husband and Wife with two biological Children get a divorce. After the divorce, the ex-wife remarries, and her new husband formally adopts the two minor Children. Do the Children qualify for the intergenerational transfer exclusion for property they receive from their biological father after they were adopted?

[9] Section 218(b)(1).

Answer: No, children who are formally adopted prior to the age of 18 no longer qualify for the parent-child exclusion for property transferred to them by their biological father. Section 63.2(e)(1)(A) defines "children" as a child born of the parent or parents, except a child who has been adopted by another person or persons before reaching the age of 18. Under this situation, the adoption broke the parent-child relationship between the children and their biological father, so the transfer was not eligible for the exclusion.

Step- or In-law Relationship

19. Question: How long does a step- or in-law relationship exist?

Answer: Once the marriage on which the relationship is based is terminated by divorce, the stepparent-stepchild and in-law relationships cease to exist. However, if the marriage is terminated by death, then the stepparent and stepchild or in-law relationship continues to exist until the surviving spouse remarries.

For example, Husband marries Wife A, who has a child from a previous relationship. This child becomes a stepchild of Husband. Then, Husband and Wife A have two biological children together. Wife A dies. Husband marries Wife B. Upon Husband's death, his separately owned principal residence is transferred to his two biological children and Wife A's child. Since the stepparent relationship with Wife A's child ceased to exist upon Husband's marriage to Wife B, the intergenerational transfer exclusion is only available to Husband's two biological children.

20. Question: A Father owned real property. In December 2021, the Father sold the property to his Son and Daughter-in-law, reserving a life estate for himself. In 2022, the Son and Daughter-in-law divorced and deeded his remainder interest in the property to his ex-wife. The Father died in 2024, which terminated the life estate and caused the ex-Daughter-in-law's interest to become possessory. Is she eligible for the intergenerational transfer exclusion?

Answer: No, it is the relationship as of the date of the change in ownership for property tax purposes that is relevant to the exclusion. Section 63.2(e)(1)(C) is specific in defining son-in-law or daughter-in-law of the parent and states that the relationship shall be deemed to exist until the marriage on which the relationship is based is terminated by divorce. Since the ex-Daughter-in-law is not considered to be a child of the parent at the time of the termination of the life estate because she had already divorced the son, the intergenerational transfer exclusion is not applicable when her interest in the property became possessory.

Claims

21. Question: A Mother's real property was held in a trust when she died in 2022. More than three years have passed, and the trustee has not yet distributed the property to the Mother's Son, the sole beneficiary. Thus, the three-year statutory period in which to apply for the intergenerational transfer exclusion has passed. Does the Son have to wait to file the claim until after he receives a notice of supplemental or escape assessment (in other words, the beginning of the six-month filing period)? Or can the Assessor's office accept a filing of the intergenerational transfer exclusion form as timely before processing corrections and opening the six-month window for filing?

Answer: The Assessor can accept a completed form as timely before officially beginning the six-month filing period. Under section 63.2(f)(1)(B), a claim will be considered timely if it is made **no later than** six months after the mailing of a notice of supplemental assessment required by section 75.31 or the notice of escape assessment required by section 534. However, an eligible transferee must still occupy a family home within one year of the date of transfer to be eligible for the exclusion.

Third Party Transfer

22. Question: A Dad dies March 30, 2021. One of his Children is the beneficiary of his estate, and the principal residence is distributed to the Child in June 2021. In August 2021, the Child transferred the property to a Limited Liability Company (LLC) where the Child is the sole member. In December, the LLC transferred out to the Child as an individual, and the Child filed for the Homeowners' Exemption. It is still within one year, but would the Child no longer be eligible for the exclusion since there was the interim transfer to the LLC (even though the Child was the sole member)? Is the transfer to the LLC considered a third-party transfer?

Answer: The transfer to the LLC would be considered a transfer to a third party, and the property is no longer eligible for the intergenerational transfer exclusion.

An exclusion may be granted as of the date of the Dad's death until the transfer to the LLC if the proper claim form is filed within three years after the date of transfer or before a transfer to a third party, whichever is earlier. If both deadlines have passed, then it must be filed no later than six months after the date of mailing of a notice of supplemental or escape assessment issued as a result of the transfer for which the claim is filed.[10]

Prospective Relief

23. Question: What is meant by "prospective relief?"

Answer: If a claim is filed after the conclusion of the specified filing periods, the exclusion may be granted as of the year that the claim is filed, but will not be backdated to the date the transfer actually occurred (in cases of inheritance, the date of death). Section 63.2(f)(3)(A) provides that any exclusion granted for a claim that is filed subsequent to the expiration of the filing periods shall apply commencing with the lien date of the assessment year in which the claim is filed. For example, untimely claims filed in 2026 shall apply as of the 2026 lien date (January 1, 2026) for the 2026-27 fiscal year, but not for any prior years.

24. Question: When the intergenerational transfer exclusion is being applied prospectively and involves a property that exceeds the value cap, is the value cap calculation made before or after factoring for the period between the date of transfer and the date that prospective relief is applied?

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[10] Rule 462.520(f)(3).

Answer: The answer lies in section 63.2(d), which reads, in part:

> The new taxable value of the family home or family farm shall be…
>
> > (1) The taxable value of the family home or family farm as determined in accordance with Section 110.1, with the adjustments permitted by subdivision (b) of Section 2 of Article XIII A of the California Constitution and subdivision (f) of Section 110.1, determined as of the date immediately prior to the date the principal residence or family farm is purchased or transferred to the transferee.

Thus, based on the last part of section 63.2(d)(1), the new taxable value should be determined as of the date of the intergenerational transfer. If the exclusion is applied prospectively, then the New Taxable Value should be factored forward to the applicable lien date.

Rescission

25. Question: A Dad's principal residence was held in his trust that named his four Children as beneficiaries. When the Dad died in March 2021, none of his Children made the home their principal residence, and the property was reassessed. In August 2021, the trust was transferred to an LLC where the Dad's trust is the sole member.

Subsequent to the transfer into the LLC, and within a year of their dad's death, one of the Children makes the property their principal residence and wants to claim the intergenerational transfer exclusion. In January 2022, the transfer to the LLC was rescinded. Since the rescission is not effective until the date of recording, and the LLC was the owner during the period from August until the recording of the rescission deed in 2022, does the rescission remove the transfer to the LLC as a third-party transfer? After the rescission, would the March 2021 transfer be eligible for the intergenerational transfer exclusion?

Answer: Should the Assessor recognize the rescission, it is as if the transfer to the LLC in August of 2021 had never been made. The value of the real property reverts back to its adjusted base year value prior to the transfer, which is then factored forward and enrolled prospectively, beginning with the lien date following the recording date of the rescission. In this case, the consequence of the rescission is that a transfer to a third party never happened.

Subsequently, should the Child apply for the intergenerational transfer exclusion for the March 2021 date of death, and meet all qualifications, the exclusion can be granted. However, the new taxable value would not be enrolled until the lien date following the date that the rescission was recorded. The rescission will not result in a refund of taxes paid while the contract was in effect.[11]

Step Transaction Doctrine

26. Question: Can a transfer from grandparent to parent, followed by a transfer from parent to child, each qualify for the intergenerational transfer exclusion?

Answer: Yes, as long as each transfer is unrestricted, and each transferee meets the requirements of the intergenerational transfer exclusion. However, if the parents were required

[11] Letter To Assessors No. 2021/033.

to transfer the property to their child (that is, the grandchild), then the step transaction doctrine would apply, and these steps would be collapsed into one transaction (in other words, a transfer from grandparent to grandchild).[12] Since the parents are living, the grandparent-grandchild provisions of the intergenerational exclusion would not apply, and this transaction would not be excluded from change in ownership. The Assessor can collapse the steps together under the step transaction doctrine if evidence exists that proves that the intent was for the grandchild to have the property.

Types of Transactions

27. **Question:** If a parent who owns a family home or family farm dies and his child inherits the property, does this transfer qualify for the intergenerational transfer exclusion if the property was not purchased by the child?

    Answer: Yes, the mode of transfer is not an issue. Any transfer of a family home or family farm between parents and children is eligible for the intergenerational transfer exclusion, whether by means of a sale, gift, joint tenancy transfer, inheritance, or intestate transfer. It also applies to both voluntary and involuntary transfers and transfers resulting from a court order or judicial decree. If the child meets the family relationship requirements of section 63.2, files the appropriate claims, and meets occupancy requirements, then the transfer qualifies for the exclusion.

28. **Question:** Can the Proposition 19 intergenerational transfer exclusion be used for an inheritance or gift of a partial interest in a property?

    Answer: Yes, as long as all the requirements for the exclusion are met. Proposition 19 does not limit its provisions to transfers of 100% of a family home.

29. **Question:** A Mother could not make her house payments, and the bank foreclosed. If her Child purchases her property from the bank at the foreclosure sale, would this purchase be eligible for the intergenerational transfer exclusion?

    Answer: Yes, if a Mother's primary residence is in foreclosure and the Child purchases the residence at a foreclosure sale, such purchase would be considered a purchase or transfer between a parent and child under section 63.2(a)(1) if, in fact, the sale was made by the Mother herself and not by an intermediary, such as a trustee in the course of a foreclosure sale.[13]

30. **Question:** A Parent annually transfers a two percent interest in his principal residence to two Children. The market value of the four percent interest is less than $10,000. Do the Children have to file for the intergenerational transfer exclusion for such small amounts?

    Answer: If the interests transferred during each assessment year have a market value of less than $10,000 and less than five percent of the value of the total property, then the transfers may

[12] Letter To Assessors No. 2009/041.
[13] Property Tax Annotation 625.0085.

be excluded under section 65.1(a) as a *de minimis* transfer. No intergenerational transfer exclusion claim is necessary for the *de minimis* exclusion.

On the other hand, if the transfers during any assessment year cumulatively exceed the limit under section 65.1(a), then all the transfers will be subject to a change in ownership. In this situation, the transferees can file for the intergenerational transfer exclusion. However, at least one of the eligible transferees must still occupy the parent's principal residence and file for the Homeowners' or Disabled Veterans' Exemption within one year to qualify.

Long-Term Leases

31. **Question:** A Child owns real property that he has leased to his Mother and his Uncle, who both occupy the home as their principal residence, for a term of 99 years. Does the intergenerational transfer exclusion apply to this situation?

    Answer: No, section 61(c) provides, in part, that the creation of a leasehold interest in taxable real property for a term of 35 years or more is a change in ownership. Thus, where such a leasehold is created, a change in ownership has occurred for property tax purposes. However, such transfers may not be excluded from change in ownership under the intergenerational transfer exclusion because a rental under a lease agreement is not a dwelling that is eligible for a Homeowners' Exemption or Disabled Veterans' Exemption.[14] Additionally, section 218(b) provides that the exemption does not extend to rented property. Accordingly, the property subject to the lease is not eligible for the intergenerational transfer exclusion.

Legal Entities

32. **Question:** Is a property held by a legal entity eligible for the intergenerational transfer exclusion?

    Answer: No, this exclusion applies only to transfers of real property interests between eligible parents and children or, in some cases, between grandparents and grandchildren. This exclusion does not apply to transfers to or from legal entities or to transfers of interest or corporate stock within legal entities.

33. **Question:** A Mom and Dad own real property that they transfer to their LLC. This transfer was proportional and was excluded from reassessment under section 62(a)(2) and resulted in the Mom and Dad becoming original co-owners. In 2024, the last remaining parent died, and their two Children inherited the LLC interests. The transfer of more than 50% of the original co-owners' interests is a change in ownership under section 64(d). However, because this was a transfer between parents and children, would the transfer be eligible for the intergenerational transfer exclusion?

    Answer: No, even if the property was a family farm, the Children inherited interests in the LLC, not real property. Section 63.2(e)(8) expressly provides that, for purposes of the intergenerational transfer exclusion, real property does not include interests in legal entities.

[14] Section 63.2(e)(5).

34. **Question:** A Mom owned her home and subsequently transferred it to her single-member LLC. When she dies, and her Children inherit the property, will this transfer be eligible for the intergenerational transfer exclusion?

    Answer: No, even though a single-member LLC may be disregarded for federal income tax purposes, its affairs are governed by the formalities imposed on all other legal entities (such as corporations and partnerships). Thus, it is treated as a separate legal entity for California property tax purposes, is excluded from eligibility under section 63.2(e)(8), and is subject to the provisions of section 64.[15]

35. **Question:** A Son inherits the family home and the intergenerational transfer exclusion is applied. Subsequently, he transfers the property into his single-member LLC. Is he still eligible?

    Answer: No, an LLC is not considered an eligible transferee.[16] In order to maintain the intergenerational exclusion, the home must be continually used as the family home by an eligible transferee or subsequent eligible transferee.

    Additionally, a transfer of the property into the LLC will render it ineligible for the Homeowners' Exemption.[17] If the family home becomes ineligible for the Homeowners' or Disabled Veterans' Exemption, the exclusion will be removed as of the date the eligible transferee or subsequent eligible transferee is no longer eligible for either exemption.

Joint Tenancy

36. **Question:** Is an "other than original transferor" in a joint tenancy vesting a valid transferor for the intergenerational transfer exclusion under Proposition 19?

    Answer: The provisions of section 63.1 that made an "other than original transferor" ineligible for the parent-child or grandparent-grandchild exclusion under Propositions 58 and 193 do not exist in section 63.2. Thus, under Proposition 19, an eligible transferee may still qualify for an intergenerational transfer exclusion when the transferor is an "other than original transferor."

Co-Tenancy

37. **Question:** Can a child claim the co-tenancy exclusion under section 62.3 if they could also qualify for the intergenerational transfer exclusion provisions of Proposition 19?

    Answer: Section 62.3(c) states that the "exclusion provided by this section shall not apply to any transfer of real property interests for which a separate exclusion in this chapter applies." The chapter referenced is Chapter 2, Change in Ownership and Purchase, which covers sections 60 – 69.6 and includes section 63.2 intergenerational exclusions.

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[15] Property Tax Annotation 220.0375.015.
[16] Section 63.2(e)(2) and Rule 462.520(a)(2).
[17] Property Tax Annotation 505.0063.

Thus, if the intergenerational transfer exclusion (section 63.2) could apply, then the co-tenancy exclusion (section 62.3) is not available.

38. **Question:** A Mother and Daughter together own 100% of their principal residence as tenants-in-common. Daughter resided in the property as her principal residence with her mother for more than a year before her mother's death. The mother's trust provided that, upon her death, Daughter receives Mother's interest in the property. The daughter continued to occupy the home she shared with her mother as her principal residence. Will she qualify for the cotenancy exclusion if the new taxable value includes an amount in excess of $1 million plus the factored base year value? Will the cotenancy exclusion apply to a second residence on the same property that is not covered by the provisions of Proposition 19?

    Answer: Section 62.3(c) states that the cotenancy exclusion shall not apply to a transfer that qualifies for a different change in ownership exclusion. Since the transfer of Mother's interest in her principal residence is eligible for the intergenerational transfer exclusion under section 63.2, it must be applied first. The cotenancy exclusion provided by section 62.3 may be applied to any amount of assessed value exceeding the amount allowed under section 63.2. Furthermore, since the cotenancy exclusion applies to any property that is the principal residence of the cotenants, it may be applied to a second residence if it is part of the principal residence.

Trusts

39. **Question:** Are transfers of real property through the medium of a trust eligible for the intergenerational transfer exclusion?

    Answer: Yes, for property tax purposes, the trust must be looked through to determine who has present beneficial ownership. Rule 462.520 restates these provisions in subdivision (e)(13). If the requirements of section 63.2 are otherwise satisfied, transfers of property held in a trust are eligible for the exclusion.

40. **Question:** If parents transfer property to their two children, does the title or trust need to specifically name an occupant?

    Answer: No, there is no requirement on how to hold title under the provisions of section 63.2.

Equalizing Estate Distributions

41. **Question:** A Mom is the sole owner of the family home. Upon her death, she leaves her property jointly to her two Sons. The will contains a provision that allows the executor to distribute the property in kind on a pro rata or non-pro rata basis. If the property is distributed to the Sons on a non-pro rata basis, will the intergenerational transfer exclusion apply?

Answer: Yes, if the market value of the family home does not exceed that child's share of the entire estate, then the distribution of real property to one child may be excluded under the intergenerational transfer exclusion.[18]

Distributions of real property from an estate are not always made on a pro-rata basis. Probate Code section 16246 provides that:

> The trustee has the power to effect distribution of property and money in divided or undivided interests and to adjust resulting differences in valuation. A distribution in kind may be made pro rata or non pro rata, and may be made pursuant to any written agreement providing for a non pro rata division of the aggregate value of the community property assets or quasi-community property assets, or both.

However, notwithstanding this statutory provision, the intention of the testator, as expressed in the will, controls the legal effect of the dispositions made in the will.[19] Thus, if the testamentary instrument does not specifically prohibit non-pro rata allocations, then it is assumed that the executor has broad discretionary powers. Thus, for example, Child A may receive real property and Child B may receive stocks and bonds equal in value. However, if the will specifically provides that Child A receives principal residence X and Child B receives rental property Y, then the executor has no discretion to alter the distribution scheme.

42. Question: A Mother is the owner of a principal residence (parcel 1) and a vacation home (parcel 2). Upon her death, she leaves her properties jointly to her two Sons. The court ordered the properties to be distributed jointly to the two Sons. However, the two Sons did not wish to jointly own property with each other. Thus, Son A conveys his interest in parcel 1 to Son B, and Son B conveys his interest in parcel 2 to Son A, resulting in Son B owning parcel 1 and Son A owning parcel 2. These deeds were recorded simultaneously after distribution. Would these transactions qualify for the intergenerational transfer exclusion?

Answer: While the distribution of parcel 1 jointly to the two Sons upon the death of their Mother is excludable from change in ownership under section 63.2, the subsequent transfer between the siblings would not be excluded and would be considered a reappraisable event. As parcel 2 was not the principal residence of the mother or a family farm, it would not qualify for exclusion and would be reappraised as of the Mother's date of death. Since the court ordered joint distribution in accordance with the Mother's will, the subsequent transfers would be considered as transfers between siblings and not a redistribution of estate assets. Thus, the transfer of Son A's interest in parcel 1 to Son B and the transfer of Son B's interest in parcel 2 to Son A would trigger a 50% reappraisal of each parcel.

Life Estates

43. Question: A Father (died in 2018) held his primary residence in a trust which granted a life estate in his home to his second Wife with the remainder to his Son. In 2022, a deed was recorded from the trustee reflecting the life estate to the second Wife and remainder to the Son. Will this deed trigger a reassessment? Is the Son eligible for the parent-to-child exclusion under

[18] Letter To Assessors No. 91/08.
[19] *Estate of Russell* (1968) 69 Cal 2d 200.

the provisions of Proposition 58 since the transfer took place before the new law? Can the Son claim an exclusion for whatever interest he holds?

Answer: When the Father passed away in 2018, the creation of a life estate for the second Wife did not constitute a change in ownership. However, the termination of the second Wife's life estate constitutes a change in ownership as of the date it terminates. When a life estate terminates, the transfer to the remainderman (Son) is from the transferor (Father), not from the life tenant. This is because the statutory language in sections 61(g), 61(h), and 62(d) identifies the grantor of a life estate as the transferor of the remainder or reversionary interest. The transfer date from the Father to the Son is the date that the life estate terminates. If that occurs on or after February 16, 2021, the intergenerational transfer exclusion may be applied under Proposition 19, assuming the claim is timely filed, and all other qualifications are met. Neither the date of the Father's death nor the date the deed for the life estate is recorded is used to determine whether the transfer falls under the provisions of Proposition 58 or Proposition 19.

44. **Question:** A Mother died and in her will she granted a life estate in real property to a Friend, with the remainder to her Children. The real property was the Mother's principal place of residence at the time of her death. Should the intergenerational transfer exclusion claim be filed upon the death of the Mother or the termination of the life estate?

Answer: The intergenerational transfer exclusion claim should be filed when the Children's interest becomes possessory upon the termination of the Mother's Friend's life estate. A reappraisable change in ownership occurs when a life estate vests in a person other than the transferor, the transferor's spouse, or the transferor's registered domestic partner.[20] Similarly, another change in ownership occurs when the life estate terminates and the property transfers to the remainder person unless an exclusion applies. Thus, under these facts, a change in ownership occurred when the life estate was created because it vested in the Mother's Friend upon the Mother's death. However, the Children's rights in the property do not become possessory (they do not vest) until the termination of the Mother's Friend's life estate. Thus, the filing period for the intergenerational transfer exclusion does not begin to run until their interest becomes possessory, upon the death of the life estate holder.

Rule 462.520(e)(11)(A) states "a principal residence shall include property owned by a decedent's estate, whether directly or through a trust, if it was the decedent's principal residence immediately prior to their death." Thus, for the intergenerational transfer exclusion, the home would qualify as the Mother's principal residence upon the passing of the Mother's Friend and termination of the life estate. Assuming the claim is timely filed and all qualifications are met, the property is eligible for the intergenerational transfer exclusion.

45. **Question:** A Dad died in 2017. In 2018, his assets were divided into the Survivor's trust A and the Decedent's trust B. A 40% interest in the family home was placed into Decedent's trust B, which reserves a life estate for the Mom and names the Daughter as the remainderman. The other 60% was gifted to the Daughter over the years. The Mom and Daughter each live on this property. In 2022, the Mom died. Will this transfer qualify for the intergenerational transfer exclusion, and will it be a transfer from Dad to Daughter?

[20] Rule 462.060(a).

Answer: Yes, on the date of the Mom's death, the 40% interest held in Decedent's trust B vests in the remainderman (Daughter), and the life estate terminates. Upon the termination of the life estate, the transferor is considered to be the life estate creator and, in this case, is a transfer from Dad to Daughter. If the Dad was living in the home when he died, and all other qualifications are met, this portion of the property is eligible for the intergenerational transfer exclusion. [21]

46. **Question:** A Mother recorded a deed in which she transferred ownership of her principal residence to three of her four Children but reserved a life estate for herself. The three Children gave 25% of their remainder interest to their sibling, the fourth Child. Upon the death of the Mother, is the entire property eligible for the intergenerational transfer exclusion?

Answer: No, only the interest that passed to the three Children from their Mother is eligible for the intergenerational transfer exclusion. One of the three Children who received the property from the Mother must move into the home as their principal residence. If only the fourth Child occupies the property as their principal residence, the requirement that at least one qualifying transferee occupy the home as their principal place of residence will not be satisfied. The 25% interest that the fourth Child received was granted by the siblings, not the Mother. Thus, that 25% interest is subject to reassessment as a sibling-to-sibling transfer.

47. **Question:** An owner of real property died testate. In their will, they left a residence to their Sister-in-law, who occupies it as her principal residence, for her life, with the remainder interest to her Nephew, her Sister-in-law's Son. Eight years later, the Sister-in-law transfers her life estate to her Son by quitclaim deed. Is the Sister-in-law's transfer to her Son excluded from change in ownership by the intergenerational transfer exclusion?

Answer: Yes, in this situation, the Sister-in-law's transfer of her life estate to her Son resulted in a merger of the life estate and the remainder interest. Since the merged interest is considered to have been received from the life tenant (his Mother), the intergenerational transfer exclusion applies, as long as a claim is filed and all qualifications are met.[22]

Life Estate Disclaimer

48. **Question:** A Grandfather records a deed in which he grants a life estate in his principal residence to his Grandson, with the remainder to the Grandfather's Son. If the Grandchild disclaims any interest in the Grandfather's property, can the transfer of real property qualify for the intergenerational transfer exclusion?

Answer: Yes, Probate Code section 265 defines a "disclaimer" as any writing which declines, refuses, renounces, or disclaims any interest that would otherwise be taken by a beneficiary. A properly executed and filed disclaimer results in the interest disclaimed descending and being distributed as though the disclaimant had predeceased the creator of the interest. Being treated as deceased and being deceased are not the same. Thus, under this scenario, if the Grandson disclaims his life estate interest, then the property will pass from the Grandfather to the

[21] Rule 462.520(e)(11)(A).
[22] Property Tax Annotations 220.0372 and 220.0372.015.

Grandfather's Son and would be eligible for the intergenerational transfer exclusion, provided the provisions of Proposition 19 are met.

New Taxable Value

49. **Question:** Rule 462.520(c)(4) says, "The new taxable value shall be adjusted by an inflation factor, as provided in subdivision (a) of section 51 of the Revenue and Taxation Code." Does the excess amount receive a new (separate) base year than the excluded amount? Does the new taxable value get a new base year? Will the original base year date remain unchanged?

    Answer: The "new taxable value" is the result of the calculation provided in section 63.2(d). Any excess value receives a new base year and base year value as of the date of transfer. No changes would be made to the factored base year value that was excluded. The combination of these two values is the new taxable value.

50. **Question:** If a decedent owned a 41.67% interest in a principal residence that has a factored base year value of $163,076 and a fair market value of $1,200,000, how is the new taxable value calculated, assuming the transferee is eligible for the intergenerational transfer exclusion and the transfer occurred prior to February 16, 2023?

    Answer: The first step in determining the new taxable value is to calculate the value cap. In this scenario, the value cap is $1,163,076 ($1,000,000 plus $163,076). The amount above the value cap, $36,924 ($1,200,000 less $1,163,076), is the excess value. The eligible transferee's new taxable value is $83,340 ($163,076 factored base year value plus $36,924 excess value, multiplied by the 41.67% interest transferred). Since 58.33% interest in the principal residence did not transfer, the factored base year value of the non-transferred interest is $95,122 ($163,076 factored base year value multiplied by 58.33%). Therefore, the new taxable value of the principal residence is $178,462 ($83,340 plus $95,122). Calculations of fractional interest transfers are also demonstrated in Rule 462.520, Example 5-2.

51. **Question:** Parent (Generation 1) transfers principal residence to only Child (Generation 2) and Generation 2 meets exclusion requirements. The factored base year value of the property is $159,181, and the full market value is $800,000. The new taxable value remains at $159,181, and the new base year value is $800,000. Five years later, Generation 2 transfers the property to their Child (Generation 3), who meets the exclusion requirements. With 2% factoring, the factored base year value is now $175,748. The new base year value established for Generation 2, factored for inflation, is now $883,263. The full market value is $1,100,000. What is Generation 3's new taxable value and new base value, assuming all transfers occurred between February 16, 2021, and February 15, 2023?

    Answer: The value cap for calculating Generation 3's new taxable value is $1,175,748 ($1,000,000 plus $175,748). The market value as of the date of Generation 3's transfer is $1,100,000. Since $1,100,000 is less than the $1,175,748 excluded amount, the excess amount is zero. The new taxable value for Generation 3 is $175,748. Should the exclusion be removed during Generation 3's ownership of the property, the new base year value of $1,100,000, factored for inflation, would be enrolled.[23]

Appeals

52. Question: Does the appeals board have the authority to determine that the Assessor erred in denying the intergenerational transfer exclusion and then grant the exclusion?
Answer: The appeals board has the authority to equalize values on the assessment roll. Thus, a claimant who has been denied eligibility under Proposition 19 may appeal the assessment on the affected property under the existing equalization provisions of sections 1601 et seq. and Rule 302. The application would state the owner's opinion of the property's proper assessed (taxable) value based on the value that would have been enrolled had the property qualified for treatment under Proposition 19. The applicant's opinion of assessed value would reflect the exclusion from change in ownership.

53. Question: Child inherits parents family home on March 15, 2021 and was granted the intergenerational transfer exclusion. Three years later, on March 15, 2024 Child moves out of the family home. The Assessor removed the intergenerational exclusion and enrolled the new base year value factored for inflation based on the change in ownership date of March 15, 2021. Child believes the base year value enrolled for the 2025 lien date is higher than fair market value. Can Child appeal the base year value?
Answer: Yes, because the enrollment of the factored base year value takes place after the exclusion was removed, as of the lien date following the date the eligible transferee moved out of the family home. Thus, it is placed on the roll for the fiscal year associated with that lien date. Here, the factored base year value is placed on the roll as of January 1, 2025, and enrolled for the 2025-26 fiscal year. The value may be appealed during the regular filing period in the year that it is enrolled, or the three following years.[24] This is true even if the Assessor notified the eligible transferee of the new base year value at the time of processing the intergenerational transfer exclusion, since that value was not placed on the roll at that time.[25]

54. Question: Same facts as the above, but the property was first reassessed as of March 15, 2021, and a new base year value was determined by the Assessor. Subsequently, Child timely applied for and was granted the intergenerational transfer exclusion. Once the intergenerational transfer exclusion was granted and processed, Child received a corrected supplemental assessment reflecting the new taxable value after the intergenerational transfer exclusion was applied. Once Child moves out and the intergenerational transfer exclusion is removed, can Child appeal the base year value enrolled on the lien date following the removal of the intergenerational transfer exclusion?
Answer: Yes, unless the same value was previously appealed and decided by the local board of equalization. This is because the application of the intergenerational transfer exclusion

[23] Section 63.2(a)(1)(B) and (C).
[24] Sections 63.2(a)(1)(C), 75.31, 80, 110.1, 1603 and Rule 462.520 (d)(1).
[25] Property Tax Annotation 170.0038.

suspends the prior change in ownership in whole, or in part, and upon removal of the exclusion a new notice will be sent when the base year value is enrolled.[26] Accordingly, appeal rights flow from when the new base year value is placed on the roll.

[26] Section 63.2 and Rule 462.520(d)(1); see also Sections 51, 75.10, 75.31, 80, 110.1, and 1603.

Grandparent-Grandchild Exclusion Questions and Answers

1. **Question:** Can any transfer of real property between a grandparent and grandchild qualify for an exclusion from a change in ownership?

   Answer: No, not all transfers of real property between a grandparent and grandchild qualify. Such transfers may be excluded only under certain circumstances. Only transfers of a family home or family farm may qualify if all other specified circumstances are met. Other requirements that must be met are that all of the parents of the eligible transferees who qualify as children of the grandparents have died or, in the case of an in-law, have divorced or remarried. Thus, the exclusion applies where the parent of the grandchild has predeceased the grandparents and the in-law either remarried after the death of the spouse or was divorced from the deceased prior to their death. However, an in-law who is a stepparent of the grandchild need not be deceased.

Principal Residence

2. **Question:** How many principal residences can be transferred by a grandparent to a grandchild under section 63.2?

   Answer: There is no limit to the number of principal residences that may be transferred from a grandparent to a grandchild.

Middle Generation Limitation

3. **Question:** A Grandfather died and left real property to his Grandson. The Grandfather's Daughter, and mother to the Grandson, has been declared mentally incapacitated and is in a care home. The Daughter has never been married. Is the Grandson eligible for the intergenerational transfer exclusion?

   Answer: No, the intergenerational exclusion from change in ownership between grandparents and grandchildren is available only when all of the parents of the eligible transferees who qualify as children of the grandparents have died or, in the case of an in-law, have divorced or remarried. Since his mother (Grandfather's Daughter) is alive, the Grandson is not eligible for the exclusion.

4. **Question:** A Daughter had a Son. After the Son was born, the Daughter married a person who was not the Son's father. Several years later, the Daughter died. Thereafter, on August 1, 2026, the Grandfather died and left his principal residence to his Grandson (Daughter's Son). The Daughter's husband had not remarried. Is the Grandson eligible for the intergenerational transfer exclusion?

   Answer: Yes, the Daughter's husband is a stepfather to her Son. Rule 462.520(a)(1)(3) clarifies that a son-in-law or daughter-in-law of the grandparent who is a stepparent to the grandchild need not be deceased.

In-Law Or Step-Grandchild

5. **Question:** A Grandfather died and left real property to his Grandson. The Grandfather's Daughter (Grandson's Mother) was legally separated from her husband (Grandson's Father) at the time of her death. Would that be the same as divorced for this purpose?

   Answer: No, section 63.2(e)(1)(C) specifically states that an in-law is a child of the parent until the marriage on which that relationship is based is terminated by divorce. Legally separated is a temporary situation that may or may not end in divorce. A divorce decree is a final judgment that terminates a relationship. Until the divorce is final, the in-law relationship still exists.

6. **Question:** A Grandfather had a Son who married a woman who already had two children (Son's Stepchildren). The Son passed away. The Son's wife (Stepchildren's natural mother) does not remarry and passes away. Subsequently, the Grandfather dies and leaves real property to his deceased Son's Stepchildren. Will transfers of real property from a Grandfather to his Step-Grandchildren qualify for exclusion?

   Answer: Yes, under section 63.2(e)(1)(B), a "child" is defined as "any stepchild of the parent or parents and the spouse of that stepchild while the relationship of stepparent and stepchild exists…[T]he relationship of stepparent and stepchild shall be deemed to exist until the marriage on which the relationship is based is terminated by divorce, or, if the relationship is terminated by death, until the remarriage of the surviving stepparent." In this case, the criterion for the grandparent-grandchild provisions of the intergenerational transfer exclusion was met on the date of the transfer. That is, all of the "parents" of the grandchildren who qualify as the children of the grandparents were deceased.[27] Even though the Stepchildren are no longer considered children of the stepfather because the step relationship terminated with the stepfather's death, they are still considered grandchildren of the stepfather's parents because the step relationship was not terminated by remarriage.

7. **Question:** A Grandmother owns real property. The Grandmother's Daughter married a man with a Son (Stepson). The Daughter died, and her husband remarried, breaking the in-law relationship with her mother (Grandmother). Can the Grandmother transfer her property to her ex-son-in-law's Son and qualify for the grandparent-grandchild provisions of the intergenerational transfer exclusion?

   Answer: No, under section 63.2(e)(1)(B), a "child" is defined as "any stepchild of the parent or parents and the spouse of that stepchild while the relationship of stepparent and stepchild exists…[T]he relationship of stepparent and stepchild shall be deemed to exist until the marriage on which the relationship is based is terminated by divorce, or, if the relationship is terminated by death, until the remarriage of the surviving stepparent." In this case, the transfer of property from the grandmother to her daughter's stepson would not qualify for the grandparent-grandchild provisions of the intergenerational transfer exclusion because the father had remarried after the daughter's death. When the father remarried, the in-law relationship ceased to exist.[28]

[27] Section 63.2(a)(1).
[28] Section 63.2(e)(1)(C).

Missing Parent

8. **Question:** Can a transfer of real property between a grandparent and grandchild qualify for exclusion from change in ownership if the whereabouts of the parent of the grandchild is unknown?

   Answer: Yes, but only if a date of death for the parent is established. When a person has been missing for over five years, the estate may be administered as that of a decedent by invoking the presumption of death from five years' absence created by Evidence Code section 667. A person may file a petition in court pursuant to Probate Code sections 1804 et seq., which provides a procedure for the final distribution of property of an absent person without recourse if the person has been missing for the requisite period of time.

Adoption

9. **Question:** Does a natural grandchild qualify as an eligible transferee of her natural grandmother if the grandmother's daughter (grandchild's mother) was legally adopted as a minor by another mother and father?

   Answer: No, based on the definition in section 63.2(e)(7), a "grandchild" means any child of the child of the grandparent. For purposes of the intergenerational transfer exclusion, the grandchild's mother ceased to be the child of the grandparent when she was legally adopted by another set of parents.

10. **Question:** A Son predeceased his mother (Grandmother). At the time of his death, the Son was divorced from his son's (Grandson) mother and had not remarried. The Son's ex-wife had remarried, and after her ex-husband's death, her new husband formally adopted her child (Grandson) at age 19. The paternal Grandmother left real property to the Grandson. Does he qualify for the intergenerational transfer exclusion?

    Answer: Yes, section 63.2(e)(7) defines "grandchild" as "any child or children of the child or children of the grandparent or grandparents." At the time of the son's death, the son was a child of the grandmother, and the grandson was a child of the son. The marriage on which the daughter-in-law's relationship with the grandparent was based ceased to exist when they divorced. Furthermore, the adoption by the new husband was of no effect because, under subdivision (e)(1)(D), the term "child" is defined as any child adopted by the parents if under the age of 18. Since the grandson was adopted at age 19, the adoption did not erase the biological relationship between the son and the grandson for purposes of the intergenerational exclusion. Thus, the transfer from the grandparent to the grandson of a family home or family farm qualifies because, as of the date of transfer, the grandson was a child of the son, the grandmother's son was deceased, and his ex-wife did not meet the qualification of "child" under section 63.2(e)(1)(C).

Life Estate

11. **Question:** Do the grandparent-grandchild provisions of the intergenerational transfer exclusion apply when a grandchild receives the remainder interest of a family home or family farm upon the termination of a life estate granted to their parent who qualified as the child of the grandparent or trustor?

    Answer: Yes, as long as the provisions of the intergenerational transfer exclusion are met. If the facts indicate that the grandparent is the grantor of lifetime interests, and they designate that the remainder interest in the trust property shall transfer to their grandchild upon the death of the lifetime beneficiary, the grandparent is the eligible transferor to the grandchild for purposes of this exclusion.