VCBA REAL PROPERTY & EPP

PROPOSITION 19

October 17, 2023

PROPOSITION 19

THE HOME PROTECTION FOR SENIORS, SEVERELY DISABLED, FAMILIES AND VICTIMS OF WILDFIRE OR NATURAL DISASTERS

CALIFORNIA VOTERS PASSED PROP 19 ON NOVEMBER 3, 2020

The Constitutional Amendment (Article XIII A, Section 2.1) put more restrictions on tax savings for when a property is transferred between parent and child and put less restrictions on transferring the base year value to a replacement property.

OLD INTERGENERATIONAL TRANSFER (PARENT/CHILD)

Prop 58/193 (R&TC 63.1)

- Parent/Child Exclusion (both ways)
- Grandparent to Grandchild Exclusion (one-way)
- Transfer a Principal Residence
  - No Restrictions on How Property to Be Used
- Also Included Up to $1,000,000 (FBYV) Other Properties

NEW - INTERGENERATIONAL TRANSFER (R&TC 63.2; PTR 462.520)

Effective February 16, 2021

- Parent/Child or Grandparent/Grandchild (both ways)
- Principal Residence (or Family Farm*) of Transferor
- Transferee Must Live in Home as Principal Residence to maintain prior factored base year value as the taxable value.
- File Homeowners’ or Disabled Veterans’ Exemption Within 1 Year of Transfer
- File a Claim Form Within 3 Years or Before Transfer to 3rd Party

**Family Farm is defined as producing a commercially viable agricultural commodity.*

Determining a Full or Partial Exclusion

Taxable Value Will Be Calculated as Follows:

FBYV (Prop 13) = $250,000

Exclusion Adjustment = $1,022,600

Excluded Amount = $1,272,600 (FBYV + Exclusion Adj.)

MV of Home on Transfer Date= $1,272,600 or Less

Excess Value = $0 (MV – Excluded Amount)

New Taxable Value = $250,000

MV of Home on Transfer Date= $1,300,000

Excess Value = $27,400 ($1,300,000-$1,272,600)

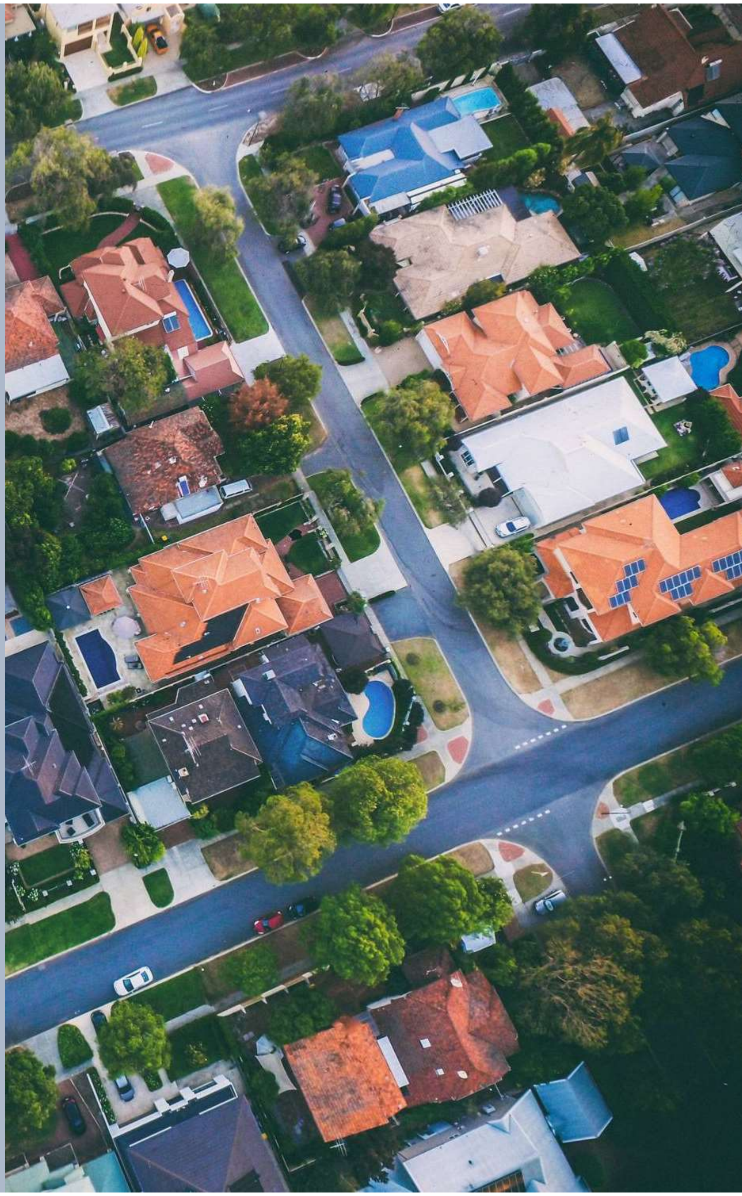
New Taxable Value = $250,000 + $27,400 = $277,400

(Increased from $1,000,000 to $1,022,600 on 2/16/2023)

OLD – BASE YEAR VALUE TRANSFER

Prop 60/90/110 (R&TC 69.5)

- **Base Year Transfers for 55 and older or disability**
- **Only if Replacement Property = or lesser of Original Property Sale Price**
- **Usually Limited to Intra-county**
- **10 Participating Counties Allowed Transfer**
- **Only Use Once**



NEW - BASE YEAR VALUE TRANSFER (R&TC 69.6; PTR 462.540)

- Effective April 1, 2021
- 55 Years and Older or Severely Disabled or a Victim of Wildfire or Natural Disaster
- The Original and Replacement Property Eligible for HOEX or DVET
- Transfer Base Year Value to Replacement Property Anywhere in the California (all 58 counties)
- Transfer or New Construction Happens Within Two years of Each Other
- File Claim Form Within Three Years of Purchase or NC
- Needs to Be a 100% Transfer of Original Principal Residence
- You Can Transfer Your Base Up to Three Times

<u>Determining The Taxable Value</u>

Replacement Purchased After Sale of Original

FBYV $300,000

Owner sells Original <u>Primary</u> Residence = $700,000

Buys Replacement <u>Primary</u> Residence = <u>$740,000</u>

Buy in year 1:

Value Comparison =$700,000 x 1.05 = <u>$735,000</u>

Excess Value = $5,000 ($740,000 - $735,000)

New Taxable Value = $300,000 + $5,000 = 305,000

Buy in year 2:

Value Comparison = $700,000 x 1.10 = <u>$770,000</u>

Excess Value = $0 ($740,000 - $770,000)

New Taxable Value = $300,000 + $0 = 300,000

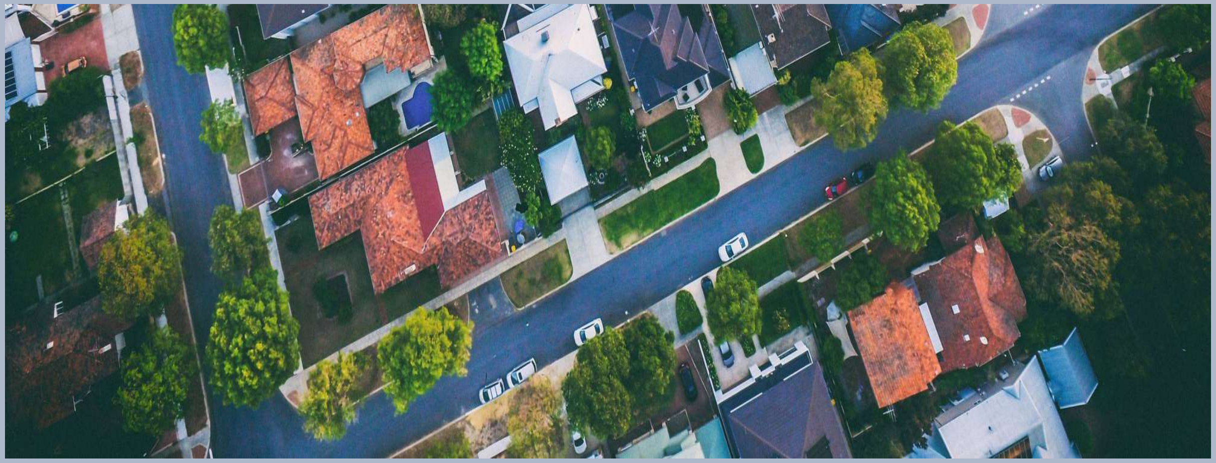
Determining The Taxable Value

Replacement Purchased Before Sale of Original

Taxable Value Will Be Calculated as Follows:

Current FBYV = $300,000

Buys Replacement Primary Residence = $730,000
Owner sells Original Primary Residence = $700,000
Excess Value = $30,000 ($730,000 - $700,000)
New Taxable Value = $300,000 + $30,000 = $330,000



Improvements in Processing Prop 19

- Implementation of New Property Tax System

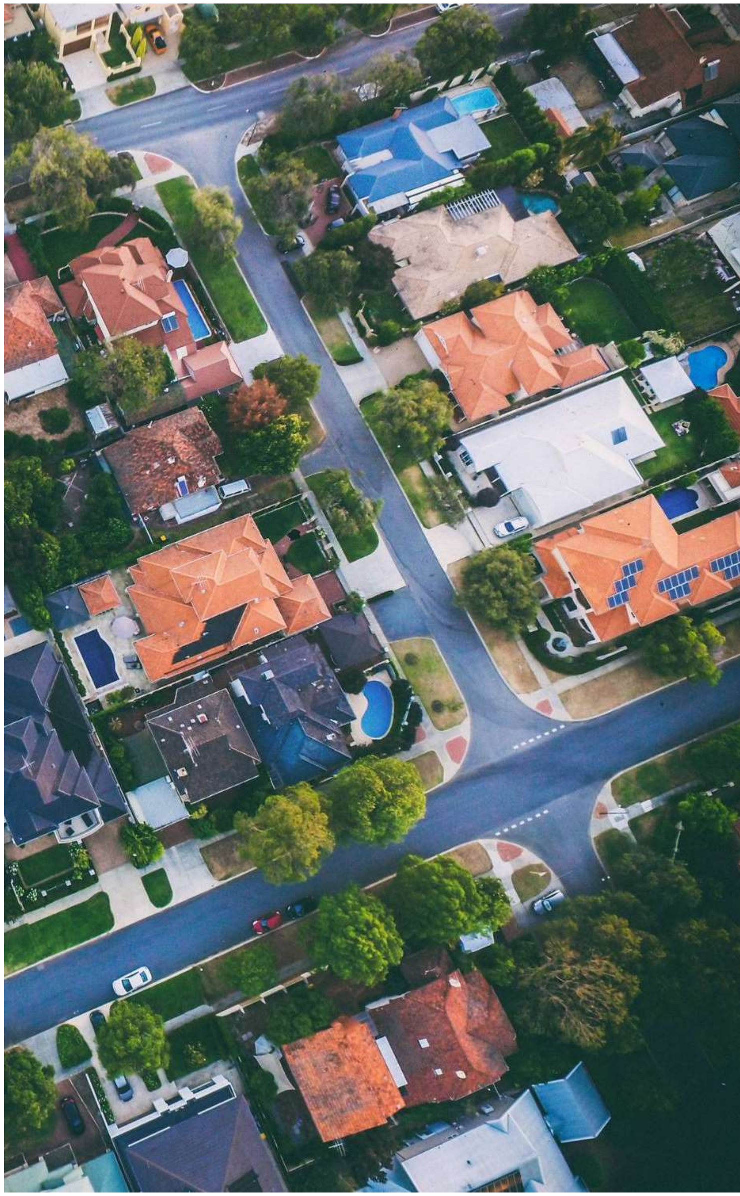
  Assessor → Auditor Controller → Tax Collector

- Better Synergy within the Office

  Intake → Review for Completion → Property Transfer → Verification from Other Counties → Appraisal Staff → Notice

- State-Wide Database for Prop 19

- Communication with Property Owners



INFORMATION SHEET

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.

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.

INFORMATION SHEET

www.boe.ca.gov/tra

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.

	Prop 58/193				Prop 19 Intergenerational Transfers			
FY	Approved	Denied	Total	FY	Approved	Denied	Total	
19/20	1375	122	1497					
20/21	2392	345	2737	20/21	16	15	31	4.5 months
21/22	1489	400	1889	21/22	269	144	413	
22/23	64	73	137	22/23	196	177	373	
Avg.	1330	235	1565	Avg.	232.5	160.5	393	

	Prop 60/90/110				Prop 19 Base Year Value Transfers			
FY	Approved	Denied	Total	FY	Approved	Denied	Total	
19/20	295	81	376					
20/21	372	181	553	20/21	155	4	159	2.5 months
21/22	89	58	147	21/22	892	27	919	
22/23	19	27	46	22/23	544	19	563	
Avg.	194	87	281	Avg.	718	23	741	

Boe.ca.gov/prop19

LTA 2022/037, 2022/045, 2022/046, 2023/018

Property Tax Rules 462.520 and 462.540

Claim Forms can be found on our web site:

https://assessor.countyofventura.org/forms/forms.asp

CONTACT THE ASSESSOR'S OFFICE

By Phone - 805-654-2181

By Email - assessor.info@ventura.org

Web Site – assessor.countyofventura.org

In-Person – 800 S. Victoria Ave, Ventura

Questions?