

# Lunch with Lisa

SMALL BITES OF KNOWLEDGE

## Recently enacted Proposition 19

### **Pros:**

- Allows transfers anywhere in the state for sellers aged 55+ and retain their current property tax.
- Increase the number of allowable transfers from 1 to 3.
- Allows transfers for homes destroyed by wildfire or disaster.
- Can buy up in value (with adjustment).
- Two years to transfer.

### **Cons:**

#### *ELIMINATES AND REDUCES CERTAIN INHERITANCE BENEFITS*

- Children/Grandchildren who inherit their parents'/grandparents' principal residence who choose not to make the home their principal residence will now have the property re-assessed.
- Parents/Grandparents can no longer transfer up to \$1,000,000 of other property, such as a vacation home, residential rental property or commercial property, in addition to their principal residence.

#### *RESET OF THE ASSESSED VALUE TO FAIR MARKET VALUE CAN SIGNIFICANTLY INCREASE THE ASSESSED VALUES*

For example, a family property currently assessed for \$50,000 with an annual property tax of approximately \$600 is inherited by heirs that *do not live* in the property could now be re-assessed to current market value at \$750,000 resulting in an annual property tax of approximately \$9,000. This significant property tax increase could affect the feasibility of continued ownership of inherited family properties

#### *PARENT~CHILD PROPOSITION 19 EXAMPLE:*

- Full cash value (FCV) of principal residence at inheritance = \$750,000
- Existing factored base year value (usually original purchase) of principal residence = \$300,000
- Value test:  $\$300,000 + \$1,000,000 = \$1,300,000 > \text{FCV of } \$750,000$
- Heir's new base year value of principal residence = \$300,000
- Property Tax savings = \$5,400

The heir must maintain the property as their principal residence in perpetuity to retain the tax savings.

***Thinking about starting a 1031 exchange portfolio for your heirs to inherit?  
Go to [www.ipx1031.com](http://www.ipx1031.com) to learn more or contact  
[Russell.marsan@ipx1031.com](mailto:Russell.marsan@ipx1031.com), who was kind enough to supply this information.***



## 1031 Exchanges during a bada\*\* sellers market

- **Want to sell your investment while prices are currently high & defer capital gains?**
- **Finding a replacement property is becoming nearly impossible?**
- **COVID hurt your ability to get a loan?**
- **Hoping to buy when it is no longer a sellers market?**

*There is a possible solution! Exchange into a DST.*

### The Delaware Statutory Trust: A Multiple Ownership Structure



Cliff notes version of a DST: ~ Exchanges can be completed in as little as 4 days, no property need be identified. No loan is required and in about 5-7 years the trust is typically cashed out. You can still reap a monthly income though the overall appreciation is low. But this could allow you to sell why the market is hot, hold onto it for a few years and then possibly exchange back into the housing market when more inventory may be available. Also great if you have multiple heirs because they can individually cash out from the DST without approval from the other heirs. Reach out to me so I can send you contact info for a couple different exchange companies in the area.

If you own several investment properties, maybe it is time to sell them all and roll them into one large property, a multi family building or commercial property instead of trying to find multiple single family homes.

*\*1031 Exchanges and DST's require using a qualified intermediary service.*



*Thank you!*

*I had a great lunch with Dwayne last month! Who is next?*

## Sign up for a FREE lunch with me!

Once a week I would love to have lunch with a reader! It can be a learning lunch, a shoot the breeze lunch or just munching in silence ( a meditative lunch ). Send me a message to reserve a time!

**EMAIL [sendtolisa@att.net](mailto:sendtolisa@att.net) (707) 688-4694 TEXT**



Wow, these past few months have been great to me in regards to referrals. A big thanks to those of you who entrusted me with your friends and family.

I have also received, more than usual, referrals from out of state agents! It's either a buyer transferring in to our area, or someone buying elsewhere with a home to sell here locally.

So, if you are looking to buy or sell here, there or anywhere I will gladly be of assistance to you.

### Market News - Hot, Hot, Hot

Having been an agent for over 30 years, I can say that I have seen many ups and downs in Real Estate, sad times and bad times. But this market...THIS MARKET!! It scares me because the buyers are frantic, want homes badly and will do almost anything it takes. It's like being on a trapeze without a safety net below.

- Multiple offers, often more than 30.
- Offers are \$25k, \$50k even \$75k+ higher.
- Might not appraise? No problem, buyers are paying the difference in cash.
- Removing all inspection and appraisal contingencies, and asking for no repairs.
- Seller needs to rent back? Sure! Take your time, stay for next to nothing, or even free!
- New construction is sold out and on lottery.

It is super tough to be a buyer currently, even if you are in the \$700k range and especially if you are below \$500k. I show so many homes every week and keep on writing offers...good offers, but the very next day we are out searching again.

#### MY SELLER SERVICES:

- Negotiating with buyers on your behalf.
- Coordinating contracts and documentation.
- Providing Whole Home and Pest inspections.
- Providing professional photos + drone aerial video.
- Posting on high-visibility websites + social media.
- Referral service worldwide.

[lisahmcgee.net](http://lisahmcgee.net)



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**RE/MAX GOLD**



APRIL 2021

  
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## *Inside This Months Issue*

- Prop. 19 & Property Taxes
- Delaware Statutory Trusts
- 1031 Exchanges

*Did You Know?*

**90% OF MY BUSINESS COMES  
FROM REFERRALS**

Past Clients - Acquaintances - Agents from across the US

Their belief and trust in me says more than any award could....though I do get those, too...occasionally. 🤔