



## **Proposition 19 – Property Tax Info for Homeowners 55 or Older**

Ordinarily, when the ownership of California real property changes, the property is reassessed at its current fair market value and the new owner pays property tax based on the reassessment.

On November 3, 2020, California voters approved Proposition 19. Proposition 19. This is a brief summary of the changes made which adds new provisions for a base year value transfer of a primary residence for persons at least age 55 or severely disabled or for victims of wildfires or natural disasters.

### **Base Year Value Transfer**

An owner of a primary residence who is over 55 years of age, severely disabled, or a victim of a wildfire or natural disaster may transfer the base year value of their primary residence to a replacement primary residence located anywhere in California that is purchased or newly constructed as that person's principal residence within two years of the sale of the original primary residence, regardless of the value of the replacement residence.

If the replacement residence is of equal or lesser value than the original primary residence, the taxable value of the original primary residence may be transferred to the replacement residence.

If the replacement residence is of greater value than the original primary residence, partial relief is available. The new base year value of the replacement residence is the sum of the factored base year value of the original primary residence plus the difference between the full cash values of the original primary residence and the replacement residence.

**Example:** Homeowner, who is over age 55, sells a primary residence on June 28, 2022 for a full cash value of \$1,200,000. At the time of sale, the single-family residence has a factored base year value of \$700,000. On July 22, 2022, a replacement primary residence is purchased for a full cash value of \$1,500,000.

Since the full cash value of the replacement primary residence exceeds the full cash value of the original primary residence, the difference in full cash values must be calculated and added to the transferred factored base year value.

- $\$1,500,000 - \$1,200,000 = \$300,000$  (difference in full cash values)
- $\$700,000 + \$300,000 = \$1,000,000$  (add difference to factored base year value)
- New base year value of replacement primary residence is \$1,000,000.

For purposes of this base year value transfer:

- A "primary residence" is a residence that is eligible for either the homeowner's or disabled veteran's exemption.
- A "victim of a wildfire or natural disaster" is an owner of a primary residence that has been substantially damaged as a result of a wildfire or natural disaster that amounts to more than 50 percent of the improvement value of the primary residence immediately before the wildfire or natural disaster. "Damage" includes a diminution in the value of the primary residence as a result of restricted access caused by the wildfire or natural disaster.
- A "natural disaster" is a condition of disaster or peril, as declared by the Governor, caused by conditions such as fire, flood, drought, storm, mudslide, earthquake, civil disorder, foreign invasion, or volcanic eruption.
- A "wildfire" means an unplanned, unwanted wildland fire, including unauthorized human-caused fires, escaped wildland fire use events, escaped prescribed fire projects, and all other wildland fires where the objective is to extinguish the fire.

Under Proposition 19, a person who is over 55 years of age or severely disabled may transfer the base year value of a primary residence three times. However, the language in Proposition 19 is not clear as to whether the "three times" would include a previously transferred base year value or if the "three times" would be in addition to this.

These provisions are subject to "applicable procedures and definitions as provided by statute," and are anticipated that the Legislature will clarify these procedures and definitions through future legislation.

### **Conclusion**

At this time, there are still many uncertainties surrounding the implementation of Proposition 19, as the language does not address all issues. These issues will need to be resolved through future legislation. Once this implementing legislation has been enacted, the County-Assessed Properties Division of the California State Board of Equalization will issue future guidance on the matter. Until that time, all State County Assessors will be tracking possible qualifying transfers, since it is likely that the implementing legislation will be retroactive to the applicable operative dates.

To learn more about Proposition 19 and to receive updated information online, please visit the California Association of REALTORS® website at <https://www.prop19taxbreak.com>. If you have any questions regarding the change in ownership provisions of Proposition 19, please contact the California State Board of Equalization, County-Assessed Properties Division ( <https://www.boe.ca.gov/prop19> ) at 1-916-274-3350.

If you have any interest or would like to speak with us directly, please do not hesitate to contact us at any time. We thank you for your time and we look forward to hearing from you!

Sincerely,



Costera Luxury Properties  
Direct: 949.400.1072