

# THE ULTIMATE GUIDE TO REAL ESTATE TAXES IN CALIFORNIA

What Every Homeowner, Seller, and Buyer Should Know in 2025



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## INTRODUCTION

Taxes can feel overwhelming, but understanding how they work in California can save you time and money. This guide simplifies key topics like Proposition 13, capital gains taxes, and tax-saving opportunities, so you can make informed decisions about your real estate journey.



## 1. PROPERTY TAXES IN CALIFORNIA

### Overview of Proposition 13

Proposition 13 caps property tax rates at 1% of the purchase price, with annual increases limited to 2%. This keeps property taxes predictable and affordable, even as home values rise.

### Supplemental Property Taxes

When you buy a home, you may receive a supplemental tax bill reflecting the difference between the previous owner's tax assessment and your new assessment.

### Local Bonds and Assessments

Beyond the base 1% rate, local bonds and fees (for schools, infrastructure, etc.) can add 0.25%-1% to your property taxes.

### Example

◆ \$500,000 Home	◆ \$1,000,000 Home
◆ Base Tax (1%): \$5,000/year	◆ Base Tax (1%): \$10,000/year
◆ Local Bonds: \$1,000/year	◆ Local Bonds: \$2,000/year
◆ Total: \$6,000/year	◆ Total: \$12,000/year



## 2. CAPITAL GAINS TAX

### What Are Capital Gains?

Capital gains are the profit you make from selling your home or investment property.

### Primary Residence Exemptions

Homeowners may exclude \$250,000 (single) or \$500,000 (married) from taxable capital gains if:

- ◆ The property has been your primary residence for 2 of the past 5 years.

### Tax Rates

Capital gains are taxed based on income:

- ◆ 15% for middle-income earners.
- ◆ 20% for high-income earners.

### Example: Sale of a Primary Residence

- ◆ Purchase Price: \$500,000
- ◆ Sale Price: \$800,000
- ◆ Profit: \$300,000
- ◆ Exemption (single): \$250,000
- ◆ Taxable Amount: \$50,000



## 3. TAX STRATEGIES FOR REAL ESTATE INVESTORS

### 1031 Exchange

This strategy lets investors defer capital gains taxes by reinvesting the sale proceeds into another property.

### Steps to Qualify

- ◆ Identify a replacement property within 45 days.
- ◆ Complete the purchase within 180 days.

### Benefits

- ◆ Unlimited deferrals if rules are followed.

### Common Pitfalls

- ◆ Missing deadlines or failing to use a qualified intermediary.



## 4. SPECIAL TAX BREAKS FOR CALIFORNIANS

### Prop 60/90

Allows homeowners 55+ to transfer their property tax base to a new home of equal or lesser value, saving thousands annually.

### Disabled Homeowners' Tax Relief

Disabled homeowners can apply for reduced property taxes.

### Veterans' Exemptions

Eligible veterans may receive discounts on property taxes, depending on income and disability status.



## 5. LEAVING CALIFORNIA? WHAT TO KNOW ABOUT TAXES

### State Tax Comparisons

- ◆ **Arizona:** Property tax rates average 0.60%-0.80%.
- ◆ **Nevada:** No state income tax and low property taxes.
- ◆ **Texas:** No income tax but higher property taxes (1.6%-2.3%).

### Avoiding Tax Liabilities

Before moving, consult a tax professional to avoid unexpected state and federal taxes.



## 6. FAQ SECTION

- ◆ **"Do I have to pay taxes on an inherited property?"**

Inherited properties are assessed at market value but may qualify for family exemptions.

- ◆ **"What happens if I convert my home into a rental?"**

Your property will be subject to different tax rules for depreciation and income.

- ◆ **"How can I appeal my property tax assessment?"**

File an appeal with your County Assessor's office within the allowed timeframe.



## 7. RESOURCES

- ◆ California Board of Equalization: [boe.ca.gov](https://boe.ca.gov)
- ◆ IRS Capital Gains Info: [irs.gov](https://irs.gov)
- ◆ Contact Me: Call for a free consultation on taxes or property valuation.



## CALL TO ACTION (CTA)

- ◆ Ready to make your next move?"
- ◆ Let's simplify the real estate process together.  
Call or text me at 619-994-5437 for:
  - A free property valuation.
  - A personalized tax strategy session.
- ◆ Your Trusted Orange County Real Estate Insider

# THANK YOU

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