



ADVISOR CENTRIC TRUSTS

PROPOSITION 19

California voters narrowly approved Proposition 19 which makes significant changes to property tax rules after February 16, 2021. From an estate planning perspective, Proposition 19 largely eliminates the ability for parents (or grandparents to a limited degree) to transfer their assessed values to their children (or grandchildren).

Consider the following example:

Parents purchased real property over 20 years ago with a current assessed value of \$100,000; which yields a current property tax bill of \$1,250 per year. The current fair market value of the real property is \$1,250,000. Prior to Proposition 19, children can transfer their parents' current assessed value under Proposition 58. Accordingly, the same property tax bill of \$1,250 will remain intact. On the other hand, if the real property is reassessed under Proposition 19 when the property is transferred from parents to children, the property tax will increase from \$1,250 per year to \$15,625 per year!

Under Proposition 19, there are three limitations that make it difficult to transfer the current assessed value to children: 1) the child must occupy the real property as the primary residence; 2) the transfer is limited to \$1 million of exclusion of fair market value above current assessed value; and 3) parents can no longer transfer the current assessed value of secondary residences (vacation, rental, etc.).

Transferring real property to your children before February 16, 2021 could save significant amounts of money. However, there are many considerations in determining whether or not such a transfer makes sense, and each situation is unique. Please consult with a qualified attorney prior to completing any transfer.

Advisor Centric Trusts provides financial advisors the means to helping their clients develop peace of mind in the estate planning process, while keeping central to their client relationship.

Advisor Centric Trusts works exclusively with the Oak Crest Law Group. With offices in California, the attorneys with Oak Crest Law Group are available to help you with estate planning issues. Contact us at info@advisorcentrictrusts.com or [click here](#).

To learn more about Proposition 19 check out the official California website: <https://www.boe.ca.gov/prop19/>