

## COMING TO A BALLOT NEAR YOU - PROPERTY TAX PORTABILITY THROUGHOUT CALIFORNIA (FOR SOME CALIFORNIANS)!

These days it may seem like there is no end in sight to California's housing crunch – particularly in the Bay Area. But a proposition on this November's ballot aims to give some relief by enabling certain mature homeowners to downsize (or upsize) without the penalty of dramatic property tax reassessment.

### **What is it?**

One of the initiatives voters will be asked to approve in November is Proposition 5, which allows homeowners 55 years and older to transfer the property tax base of their current home to a new home, regardless of whether the new home is more or less expensive.

Prop. 5 is an extension of Prop. 60 and Prop. 90, which currently allow a person over age 55 to transfer their property tax base to a less expensive home within the same county or in another county that has authorized such a transfer by ordinance. The rationale behind Prop. 60 and Prop. 90 was to allow older homeowners to downsize without incurring a large property tax increase.

Under the existing Prop. 90, counties can choose whether to accept intercounty transfers of property tax assessments. Counties that currently allow for an incoming transfer of a property tax base are Alameda, El Dorado, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo, Santa Clara, Tuolumne, and Ventura. Currently, eligible homeowners can only transfer the tax value of a home one time.

### **How It Will Work (According to Proponents)**

Prop. 5 will increase tax savings when purchasing a less expensive property. Rather than simply transferring the same tax value from the previous home, the tax value will be reduced by the ratio of the purchase price of the new house to the sale price of the old one. For example, if an eligible homeowner purchases a home that is 75 percent the price of their old home, the new tax value will be 75 percent of the old tax value.

Moreover, eligible homeowners will receive a reduced tax value not only when purchasing a cheaper home, but also when purchasing a more expensive home. The tax value of the new home would be the old tax value plus the difference between the sale price of the old home and the purchase price of the new one. For example, if the tax value of the old home was \$200,000 and the homeowner purchases a new home for \$100,000 more than they sold their old home, the tax value is \$300,000. Currently, the tax value of a more expensive home is set at the purchase price of the new home.

Prop. 5 will also remove the restriction of one transfer, so eligible homeowners would be able to transfer their home's tax value as many times as they want, and all counties will be required to accept transfers.

### Potential Consequences (According To Opponents)

While proponents of Prop. 5 claim the initiative will free up housing by making it more affordable for older homeowners to downsize, opponents argue that local governments could eventually lose \$1 billion per year, and that counties would be unable to opt out of the program. Opponents also question why a tax break should be available for the purchase of a more expensive home if the premise behind Prop. 5 is to assist older homeowners in downsizing.

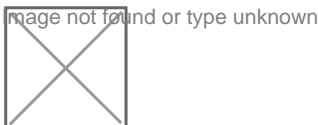
### What Should You Do?

Vote! Hoge Fenton does not take a position on Prop. 5, other than we find it quite interesting and, if passed, likely to have a significant impact on California's housing market.



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