

PROP 19 PROPERTY TAX CHANGES & ACTIONS TO TAKE

LEGAL ALERT

Property Tax Changes Due to Proposition 19

NOVEMBER 12, 2020

HOGE • FENTON

On November 3, 2020, California voters approved Proposition 19 ("Prop 19"), which drastically changes California's property tax laws. Prop 19 makes two amendments to the state's Constitution that are important for property owners in California:

Tax Increases on Parent-Children and Grandparent-Grandchildren Real Property Transfers

- Beginning February 16, 2021, Prop 19 eliminates parent-child and grandparent-grandchild exclusion from property tax reassessment upon transfer, *whether by sale, gift or inheritance, unless the child or grandchild uses the transferred property as their primary residence within one year of the property's transfer*. This exclusion for such primary residence is limited to the first \$1 million of fair market value. In addition, the available exclusion from reassessment for non-primary residence real properties is entirely eliminated.
- This substantially restricts property tax benefits for real property transferred between parents and children. Prior to Prop 19, parents could transfer a primary residence of unlimited value to their children without triggering any reassessment. Furthermore, the transfer of real property

other than the primary residence between parents and children qualified for the exclusion from reassessment so long as the aggregate base year value (a.k.a. assessed value) of the properties transferred did not exceed \$1 million. Together, two parents could transfer to their children up to \$2 million of aggregate base year value properties without triggering property tax reassessment. These rules applied to transfers between grandparents and grandchildren under certain circumstances as well.

- **The deadline to transfer real properties without triggering the new reassessment rules under Prop 19 is February 15, 2021.**
- Property owners should contact their attorneys as soon as possible to determine next steps. **Hoge Fenton attorneys are working closely with our clients to create and execute a comprehensive strategy before the deadline, if necessary. This is a complex situation involving tax, trust and estate, and real estate law.**

Property Transfer Benefits for Seniors, Disabled, or Wildfire Victims

As of April 1, 2021, Prop 19 allows real property owners over 55 years of age, severely disabled, or victims of wildfire or natural disaster to carry-over the assessed value of their existing primary residence to a newly-purchased or newly-constructed primary residence anywhere in California, avoiding the payment of higher property taxes.

This provides property tax relief to this select group of people, which is limited to the value of the original primary residence regardless of the price paid for the replacement property.

A few other particulars:

- This select group of people are allowed to make three such transfers in their lifetime.
- The new residence must be purchased/constructed within two years of the sale of the original primary residence.

Meet Our Trusted Advisors



Nazar A. Ghosseiri's practice focuses on estate planning, trust administrations, probates and conservatorships. Nazar practices at Hoge Fenton's Peninsula office, serving the needs of individuals and professional fiduciaries in trusts & estates throughout the Peninsula. The State Bar of California Board of Legal Specialization has certified Nazar as a Specialist in the areas of Estate Planning, Trust and Probate Law.



J. Timothy Maximoff counsels his clients in estate planning and estate and trust administration, tax, business, and related matters. Tim uses his 30 years of experience to explain to clients the practical issues, complex law, and tax rules that impact their situations. Where appropriate, Tim utilizes advanced planning tools that could increase benefits to his clients and their family, help reduce the tax impacts and address his client's concerns about asset management, preservation of assets, or beneficiaries' unique situations.



Julie Y. Wann focuses on individual, partnership, corporate taxation, and the formation of limited liability companies, partnerships, and corporations. Julie advises individuals in asset protection, wealth transfer, and tax planning, and entities in sales, purchases, and restructurings. She structures real property transfers that preserve the real property tax basis. She also provides taxpayer representation in tax controversies.

This information is provided as an educational service by Hoge Fenton for clients and friends of the firm. This communique is an overview only, and should not be construed as legal advice or advice to take any specific action. Please be sure to consult a knowledgeable professional with assistance with your particular legal issue. © 2020 Hoge Fenton

Related Attorneys

- Embert P. Madison, Jr.
- Nazar A. Ghosseiri
- J. Timothy Maximoff
- Julie Y. Wann