



# Fidelity National Title

## Proposition 19

*These new changes may affect your next escrow, if eligible. Additional forms may be required if you plan to transfer your tax basis for an eligible transaction.*

### What is Proposition 19

Proposition 19 affects California property tax rules and will affect transfers after February 15, 2021. It dramatically changes the property tax rules exempting the following:

**Primary residence transactions for certain individuals such as those over age 55, severely disabled, or victims of wildfires or other natural disasters.** The new rules for this category are generally favorable and may result in tax savings for a qualifying homeowner by allowing the assessed value of their principal residence to be transferred to a replacement residence in any California county. Unlike current law, the new rules may provide a significant benefit even if the replacement residence is more expensive than the principal residence that is transferred.

**Certain intra-family transfers.** The new rules for parent-child and certain other intra-family transfers significantly increase the cost to future generations of keeping legacy properties within the family.

### Current Property Tax Rules and Exemptions

California property tax is assessed based on the property's purchase price and the cost of any improvements to the property. Unless a "change of ownership" occurs, the assessed value of real property increases by no more than 2% annually. Because average appreciation of California real property has far exceeded the 2% annual adjustment since the enactment of Proposition 13 in 1978, long time owners of California real estate generally enjoy a very low property tax burden relative to owners of newly acquired property.

California currently provides two valuable exemptions from reassessment, which allow the continuation of this benefit after transfers of qualifying property interests between parents and children. First, a transfer of parent's principal residence to a child is completely exempted from reassessment. The child succeeds to the parent's assessed value regardless of the value of the property or its assessed value at the time of transfer.

Second, transfers of real property interests which are not the parent's primary residence (residential or commercial) are exempted from reassessment to the extent of \$1 million of assessed value, regardless of the fair market value of the property.

### New Property Tax Exemption Under Prop 19

Proposition 19 revises the Parent-to-Child exemptions to limit (1) the types of transfers between parents and children that can be exempted from reassessment, and (2) the property tax benefit available. First, only a transfer of the parent's principal residence to the child where the property continues as the child's principal residence qualifies. Second, provided the transfer meets the principal residence requirements, the child's assessed value is then determined based on whether the property's value at the time of transfer is greater than the parent's assessed value by more than \$1 million. If the value of the property at the time of the transfer exceeds the parent's assessed value by less than \$1 million, then the child takes the parent's assessed value. If the value of the property at the time of the transfer exceeds the parent's assessed value by \$1 million or more, then the child's assessed value is the current value of the property less \$1 million.

**Effects on Homeowner's Property Tax** (55+, severely disabled, or victims of wildfires or other natural disasters): Before Prop 19, homeowners 55 and older had a one-time benefit to retain their existing assessed property tax base if they sold their home and purchased a home of equal or lesser value within the same county. They could do the same when moving between nine other counties that participated in Prop 60/90. Effective April 1, 2021 homeowners 55 and over, severely disabled, or victims of wildfires or other natural disasters may receive a property tax benefit even when purchasing a more expensive home anywhere in California — up to three times.

Please contact your local assessor's office for more information on Proposition 19 and its benefits.

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