Prop 19: Property-Tax Basis Transfers for Disabled, 55+ Year Olds, and Disaster Victims

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The CAR-supported[1] and legislatively crafted "California Proposition 19, Property Tax Transfers, Exemptions, and Revenue for Wildfire Agencies and Counties Amendment (2020)" passed 11/3/2020.[2] Prop 19 alters rules on transferring an assessed adjusted tax-base value from one **primary residence**[3] to its replacement. Eligible homeowners may transfer an adjusted tax-base value from one primary residence to another anywhere in California three times. Natural-disaster or wildfire victims are allowed one similar exemption.

Base-Year Value Transfer for Disabled or Age 55+ Persons Summary Chart		
	Current Law – before 4/1/2021	**Proposition 19 – after 3/31/2021**
Property Type	➢ Primary residence	➢ Primary residence
Timing	➢ Purchased or newly constructed residence within 2 years of sale	➢ Purchased or newly constructed residence within 2 years of sale[4]
Replacement Home Location	➢ Same county or ➢ Other county with inter-county ordinance[5]	➢ Anywhere in California
Value Limit	➢ Equal or lesser value ➢ 100% if residence is purchased or newly constructed prior to sale ➢ 105% if residence is purchased or newly constructed within 1st year after sale ➢ 110% if residence is purchased or newly constructed within 2nd year after sale	➢ Any value ➢ Amount > 100% added to transferred value
Property Type	➢ Primary residence	➢ Primary residence
Maximum Transfers	➢ One (1) time ➢ Exception: After using once for age, second time for subsequent disability	➢ Three (3) times[6]
Statute	➢ RTC § 69.5 (implements Props 60, 90, and 110)	➢ TBD

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[1] California Board of California Association of Realtors (CAR) spent $35.7 million on Proposition 19 that passed 51.1% to 48.9%. https://www.car.org/en/knowledge/pubs/newsletters/Newsline/Prop19 . In 2018, CAR's Issues Mobilization PAC contributed 77% of $13.22 million supporting a similar measure, which was defeated 40.2% to 59.8%. For general descriptions, see https://ballotpedia.org/California_Proposition_19,_Property_Tax_Transfers,_Exemptions,_and_Revenue_for_Wildfire_Agencies_and_Counties_Amendment_(2020) and https://ballotpedia.org/California_Proposition_5,_Property_Tax_Transfer_Initiative_(2018).

[2] Legislature Analyst's Office's description of Proposition 19: https://lao.ca.gov/ballot/2020/Prop19-110320.pdf. California Board of Equalization's letter to assessor summarizes key elements of new law at https://www.boe.ca.gov/proptaxes/pdf/lta20061.pdf.

[3] Proposition 19's proposed Constitution Article XIIIA, Sec. 2.1(e)(7) defines "primary residence" as a residence eligible for either the homeowner's exemption or the disabled veteran's exemption. Synonyms are "principal residence" and "family home".

[4] The legislature still needs to clarify whether Prop 19 provisions apply to a property sold before 4/1/2021 and replaced with the residence purchased 4/1/2021 or afterwards and within two years after sale.

[5] The counties are Alameda, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo, Santa Clara, Tuolumne.

[6] Natural-disaster or wildfire victims have similar property-tax reassessment exemption to that of disabled and age 55+ persons except that victim's reassessment exemption is limited to one time.

Below are examples of homeowners trading up, sideways, and down in value. When a more expensive home is purchased, the additional purchase-price amount (presumed here to be the FMV) is added to the transferred base value (as in the Seaside example below) for the new residence's taxable value.

Adjusted Base-Year Value Transfer to New Residence Three Property-Tax Calculation Examples Assuming Transfer within County				
Line	**Calculation Steps**	**Seaside Home Upsizing**	**Carmel Cottage Swap**	**Oceanfront Estate Downsizing**
1.	What is the replacement residence's sale (or FMV market value) on transfer date?[7]	$1,000,000	$2,000,000	$10,000,000
2.	What is the previous residence's sale price (usually deemed the FMV) on transfer date?	$700,000	$2,000,000	$20,000,000
3.	What is the residence's adjusted property-tax base value (on latest property tax bill)?	$80,000	$80,000	$500,000
4.	Annual property tax on new residence if no property-tax base transfer: Multiply Line 1 by 0.0125 (1.25%*).	$12,500	$25,000	$125,000
5.	Subtract Line 2 from Line 1. A positive number means new residence has higher value than previous one.	$300,000	$0	-$10,000,000
Annual property tax under expiring law:				
6.	Is Line 1 greater than Line 2? Is the new property more expensive than the previous property?	Yes	No	No
6a.	If no, give Line 3 figure for adjusted assessed value transferrable without change to new residence.		$80,000	$500,000
6b.	If yes, give Line 1 for presumed FMV. No tax basis transfer is allowed for more expensive replacements.	$1,000,000		
6c.	Multiply Line 6a or 6b by 0.0125 (1.25%*). This is new residence's annual property tax under old law.	**$12,500**	**$1,000**	**$6,250**
Annual property tax under new law:				
7.	Is Line 1 greater than Line 2? Is the new residence more expensive than the previous residence?	Yes	No	No
7a.	If no, give Line 3 for adjusted assessed value transferred to new residence.		$80,000	$500,000
7b.	If yes, add Line 3 to Line 5. The transferred adjusted tax basis from old residence **plus** the difference between old and new residences' FMV is the new residence's total assessable value.	$380,000 (*i.e.* $80,000 + $300,000)		
8.	**Annual Property Tax**: Multiply Line 7a or 7b by 0.0125 (1.25%*).	**$4,750**	**$1,000**	**$6,250**
9.	% change in property tax from old to new law.	**-62%**	**0%**	**0%**
*1.25% is used for calculations. The exact percentage (1% state + local taxes/fees) varies by jurisdiction.				

[7] To simplify calculations here, assume a 100% purchase-price value for a new residence bought before the previous residence is sold, the replacement property is purchased after the previous residence is sold, and the sales and purchase prices are FMV values.

Under Proposition 19, the typical homeowner can carry over a previous primary residence's tax-base value[1] to a new home with little to no property-tax increase if the new home is not more expensive.

Disaster-Affected Moves to Another Primary Residence. The next two charts summarize Proposition 19 provisions that apply to disaster-affected homeowners who want to transfer their Prop-13 constrained adjusted base-year value of their destroyed primary residence to a newly purchased or constructed primary residence in any California county. The exemption may be used one time.

Base-Year Value Transfer Intra-County Natural Disaster Relief		
	Current Law – before 4/1/21	**Proposition 19 – after 3/31/21**
Type of Property	Any type of property	Primary residence
Timing	Purchased or newly constructed property within 5 years of disaster	Purchased or newly constructed residence within 2 years of sale
Property Location	Within same county	Anywhere in California
Value Limit	Any value Amount above 120% is added to transferred value	Any value Amount above 100% is added to transferred value
Type of Disaster	Disaster for which Governor proclaims a state of emergency	Wildfire, as defined, or natural disaster as Governor declares
Statute	RTC § 69 (implements Prop 50)	TBD
Base-Year Value Transfer Inter-County Natural Disaster Relief		
	Current Law – before 4/1/21	**Proposition 19 – after 3/31/21**
Property Type	Primary residence	Primary residence
Timing	Purchased or newly constructed primary residence within 3 years of disaster	Purchased or newly constructed primary residence within 2 years of sale
Property Location	13 counties[8] with inter-county ordinance	Anywhere in California
Value Limit of Purchased or New Construction	Equal or lesser value 105% if in 1st year after disaster 110% if in 2nd year after disaster 115% if in 3rd year after disaster	Any value Amount above 100% is added to transferred value
Disaster Type	Governor-proclaimed	Governor-proclaimed disaster or a wildfire, as defined in Govt. C § 51177
Statute	RTC § 69.3 (implements Prop 171)	TBD

[8] Contra Costa, Glenn, Los Angeles, Modoc, Orange, San Diego, San Francisco, Santa Clara, Solano, Sonoma, Sutter, Ventura, Yuba.