

# “Regional Title Companies”

March 16, 2021

**PROP  
19**

**State Of California**



**Larry Stone**  
**Santa Clara County Assessor**



# During my term in Office, we have **Accomplished a lot**

Every five years, we are audited by State Board of Equalization. Last four BOE audits, we have met BOE standards 98% - 99%.

Assessment roll has increased 379% (\$115 billion in 1995 to \$551 billion in 2020).

My staff increased only 4.5% during 26 years.

Santa Clara County employment has increased 64% during same time.

Returned \$21.3 million of the Assessor's budget back to the County General Fund unspent.

**RESULT:** Nearly \$6 billion in property tax revenue each year for schools and local government.

**CAUTION  
UNCERTAINTY  
AHEAD**

**OBJECTS IN MIRROR  
HAVE EXCEEDED EXPECTATIONS**

**Lawrence E. Stone  
Assessor**

# Assessed Values Have Become a Treasured Commodity



## Proposition 13 ~ Revolutionizes Property Taxes

- Assessments are based upon the purchase price at a change of ownership or new construction, and then increased by no more than 2 percent a year.
- Assessments no longer tied to market. Over time, far less than market values.
- One's low assessed value has become a prized asset.



## Propositions Galore

- Proposition 58
- Proposition 60
- Proposition 90
- Proposition 110
- Proposition 193

# Proposition 60

- Passed in 1986
- Enables homeowners over the age of 55, to transfer their coveted assessed value to another home of equal or lesser value, without reassessment to market value.
- Designed for empty nesters wishing to downsize.



**PROP 60 & 90**  
Transfer your Property Tax  
When Downsizing



# Proposition 90

- Passed in 1988
- Expands Proposition 60 benefit, at County option, to other counties.
- Only 10 counties of 58 participate. The reason? Loss of property tax revenue.

# Amendment 1, Save Our Homes



In 2008, Florida voters passed Amendment 1.

Allowed homeowners, just like Prop. 19, to retain low property taxes when they move to a new home.

Initiated by realtors. More transactions, more commissions.

# Proposition 5

- Purchase a larger, more expensive home
- Move all you want
- Move anywhere in the State



California Proposition 5

Result	Votes	Percentage
Yes	4,813,251	40.22%
<b>X</b> No	<b>7,152,993</b>	<b>59.78%</b>

# Proposition 58/193: Inheritance Exclusion

- Children can inherit their parent's principal residence, and retain their low assessed value
- Estimated 60,000 to 80,000 property owners used benefit
- Annual cost: as much as \$1.5 billion in property taxes
- Allows the transfer of additional property assessed at \$1 million

Beau & Jeff Bridges inherited a four-bedroom Malibu home from actor-father Lloyd Bridges, with access to a semi-private beach and panoramic views of the Pacific Ocean.

Rented home for \$16,000 a month.

Paid approx. \$5,000 a year in property tax.



## The Property Tax Inheritance Exclusion

MAC TAYLOR • LEGISLATIVE ANALYST • OCTOBER 2017

### Summary

**Ownership Changes Trigger Higher Tax Bills.** Under California's property tax system, the change in ownership of a property is an important event. When a property changes hands the taxes paid for the property typically increase—often substantially. Local government revenues increase in turn.

**Special Rules for Inherited Properties.** While most properties' tax bills go up at the time of transfer, three decades ago the Legislature and voters created special rules for inherited properties. These rules essentially allow children (or grandchildren) to inherit their parent's (or grandparent's) lower property tax bill.

**Inheritance Exclusion Benefits Many but Has Drawbacks.** The decision to create an inherited property exclusion has been consequential. Hundreds of thousands of families have received tax relief under these rules. As a result, local government property tax collections have been reduced by a few billion dollars per year. Moreover, allowing children to inherit their parents' lower property tax bill has exacerbated inequities among owners of similar properties. It also appears to have encouraged the conversion of some homes from owner-occupied primary residences to rentals and other uses.

**Revisiting the Inheritance Exclusion.** In light of these consequences, the Legislature may want to revisit the inheritance exclusion. We suggest the Legislature consider what goal it wishes to achieve with this policy. If the goal is to prevent property taxes from making it prohibitively expensive for a family to continue to own or occupy a property, the existing policy is crafted too broadly and there are options available to better target the benefits. Ultimately, however, any changes to the inheritance exclusion will have to be placed before voters.

## COMMENTARY

## Proposition 19's tortuous journey to the ballot



BY DAN WALTERS  
SEPTEMBER 30, 2020



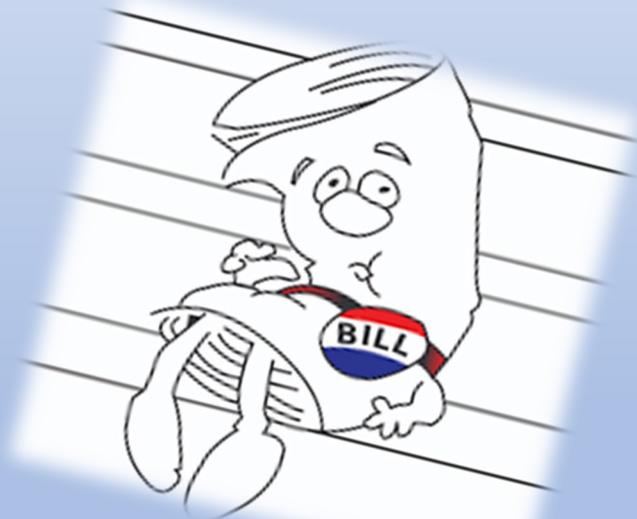
### IN SUMMARY

California's Proposition 19 refights old battles as it alters laws governing property tax assessments.

[Proposition 19](#) shares one characteristic with most of the other 11 measures on California's ballot this year: It rekindles a political conflict from years past.

However, Proposition 19 has meandered a particularly convoluted pathway to the ballot, which explains why it wound up with three distinct sections, to wit:

- It would expand current law's limited right for Californians over 55 to move to new homes while retaining the taxable property values of their previous residences;
- It would erase a provision of property tax law that allows those who inherit expensive homes to retain their relatively low taxable values while converting the homes into income-producing rentals; and
- It would dedicate some of the additional revenue from the loophole closure to local and state firefighting agencies.



# Fair & Equitable Assessments is Job

#1

Assessors



- A property should receive the same treatment no matter where it is located.
- Legislature, “Skinny bill” – will provide minimum issues to Assessors in administering the parent-to-child provisions of Prop. 19.

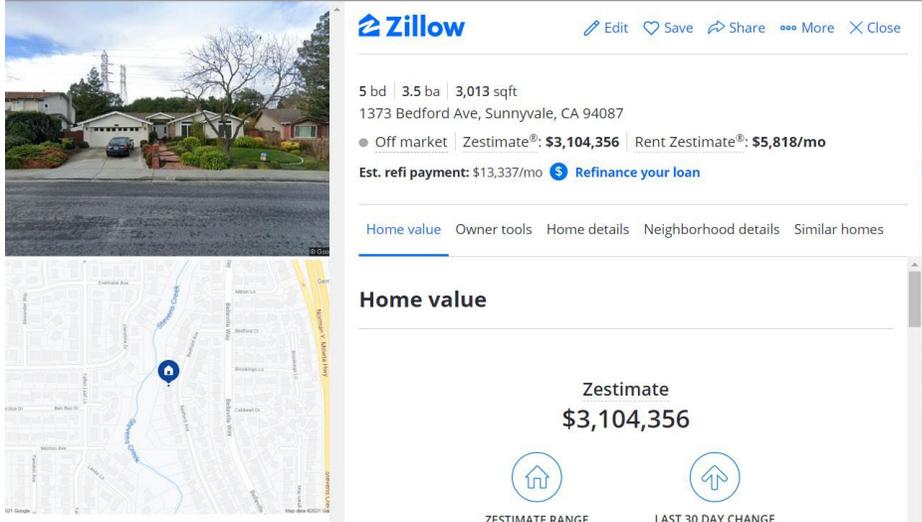
In 1975, purchased home in Sunnyvale, a modest tract house for \$85,000.

Currently assessed for \$276,000.

Zillow says the market value of my home is \$3M.

If new home has market value less than \$3M, my \$276,000 assessment transfers to new home.

However, if I buy new home for \$4M, my assessed value jumps from \$276,000 to \$1,276,000.



**Zillow** Edit Save Share More Close

5 bd | 3.5 ba | 3,013 sqft  
1373 Bedford Ave, Sunnyvale, CA 94087

Off market | Zestimate®: **\$3,104,356** | Rent Zestimate®: **\$5,818/mo**

Est. refi payment: \$13,337/mo [Refinance your loan](#)

Home value Owner tools Home details Neighborhood details Similar homes

### Home value

Zestimate  
**\$3,104,356**

ZESTIMATE RANGE LAST 30 DAY CHANGE



# How does the Assessor determine Market Value?



Usually, sales and purchase prices are accepted, but they must reflect the current fair market value.



If not, and the appraiser determines a different value for the fair market value, we will use the appraiser's fair market valuation.

**Effective April 1, 2021, Proposition 19 permits eligible homeowners (defined as over 55, severely disabled, or whose homes were destroyed by wildfire or disaster) to transfer their primary residence's assessment to a replacement residence of any value, anywhere in the state**



Keep their lower property tax assessment when moving to another home anywhere in the state.

Use special rules to move to a more expensive home.

Use these special rules three times in their lifetime.

Proposition 60 and Proposition 90 sunset on March 31, 2021.

To receive the expanded portability benefits of Proposition 19, homeowners must complete at least one of the transactions on or after April 1.

Property owners have two years from the transfer of the first property to complete the second transaction.

Proposition 19 also supplements existing transfer provisions exclusively for victims of wildfire or disaster, or owners who are “severely disabled.” Upon implementation, taxpayers will have to determine and apply for those provisions which are most advantageous for their circumstances.

# Starting February 16, 2021, Proposition 19 narrows property tax benefits for inherited properties

Narrows the assessed value that can be transferred to two kinds of inherited property:

- \* property used continuously by the child or grandchild as a primary home, or
- \* property held as a family farm.

Convuluted formula to qualify and to compute the benefit.

Assessed value of an inherited home or farm would increase if the price the property could be sold for exceeds the property's assessed value by more than \$1 million (adjusted for inflation every two years).

To make things easier, our office has developed an electronic calculator that will enable residents to calculate the savings.

Eliminates Proposition 58 and 193

Santa Clara County Assessor's office will accept notarized documents, recorded or not, executed before the deadline to effect the benefit of Prop. 58.

The screenshot displays the website for the Office of the Assessor, County of Santa Clara. The main heading is "Prop 19 Assessment Estimator for Parent to Child/Grandparent to Grandchild Transfer Effective February 16, 2021". Below this, there is a section titled "What is Prop 19?" which states: "This tool estimates the property tax impact of transferring your principal residence to your child or grandchild under Prop 19, which becomes effective February 16, 2021." There are search options for "Simple Address Search", "Advanced Address Search", and "Search by APN". A "Please Read:" section follows, explaining that the estimator provides estimates of supplemental assessments and subsequent regular roll assessments for a hypothetical transfer of ownership. The right sidebar includes "Understanding Proposition 13", "Important Dates" (with "No events" listed), and "Contact Us" information for the County Government Center.

# Doing our best, but no promises

Presentation is NOT  
absolute legal  
interpretation.

Proposition 19 is a  
constitutional  
amendment -  
additional legislation  
and guidance is  
necessary to clarify  
implementation.

The text of the  
proposition and  
other implementing  
or interpretive  
authorities will  
prevail.

Assessors do their  
best to provide  
general guidance,  
BUT, our office does  
not provide legal  
advice to specific  
situations.

