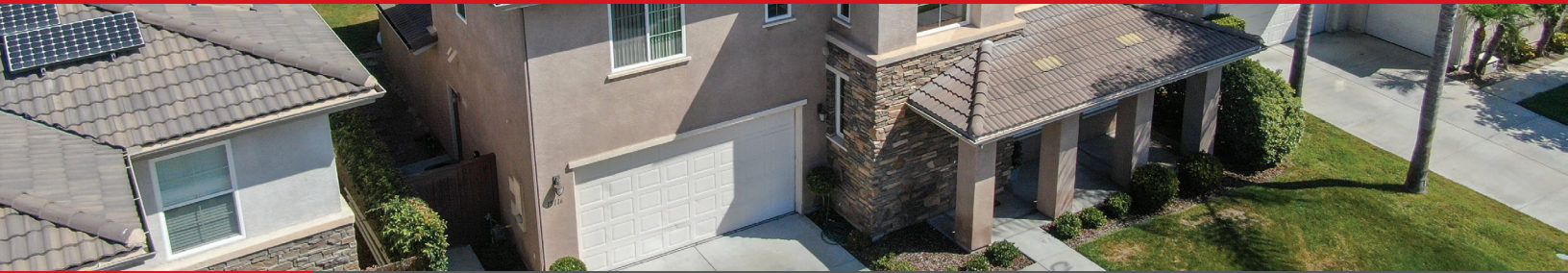


PROPOSITION 19



2021

What You Need to Know

As the largest real estate association in San Diego County, the Greater San Diego Association of REALTORS® (SDAR) mission is to provide real estate professionals, homeowners and prospective homeowners with the information they need when marketing, buying or selling homes. We have compiled the information and resources about Proposition (Prop) 19, a new law that could impact homeowners and prospective homebuyers in California. This guide includes background on the new law, as well as upcoming dates for the law's implementation. Whether you're a real estate professional, homeowner, or a prospective buyer, it's important to become familiar with this new law and how it may impact you.

The information is not intended to be a substitute for professional guidance. Individuals are encouraged to seek professional tax and/or legal services to determine courses of action in response to Prop 19's passing.

Changes to Existing Law

Approved by voters in November 2020, Prop 19 is a relatively complex law that expands property tax portability and places certain limitations on tax benefits related to inherited property. The following is a brief summary of some of the changes to current law:

Property Tax Portability:

Current Law (Prior to Prop 19): Allows individuals 55 and over or who are severely disabled to transfer their property tax basis only one time to a property of essentially equal or lesser value within the San Diego County. The law only allows the transfer of the tax basis from one county to another in California if the county has authorized these transfers (10 counties authorize this activity). Prop 19: Allows individuals 55 or over or who are severely disabled to transfer their tax basis (1) up to three times, (2) anywhere in the state, and (3) to a property of any value.



Inheritance Property Tax Benefit:

Current Law (Prior to Prop 19): Propositions 58 and 193 allow for transfer of property from a parent/grandparent to a child/grandchild without a property tax reassessment. The property does not have to be the primary residence of the recipient. The law also allows for the transfer of \$1 million (per parent) in other real property.

Prop 19: Limits the inheritance property tax benefits to the transfer of a residence that will be used as the primary residence by the transferee. The law also establishes a new property tax basis in situations when the difference between the assessed tax basis and the current taxable value of the property exceeds \$1 million.

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Important Dates and Provisions of Prop 19:

February 15, 2021 - Expiration of Certain Benefits or Inherited Properties:

Certain property tax reassessment exemptions in Proposition 58/193 expire and are replaced by Proposition 19 beginning February 16. For inherited properties, this means:

- Exemptions from property tax reassessments will be limited to inherited properties that are the primary residence of the transferee and wherein the recipient claims the property as their primary residence.
- In situations where the current market value exceeds the previous taxable value by more than \$1 million, the new assessed value will be calculated by subtracting \$1 million from the current market value. This \$1 million amount will be adjusted for inflation beginning 2023.

April 1, 2021 – Enhancements to Property Tax Portability Take Effect:

Proposition 19 eliminates certain restrictions on property tax portability, helping seniors, the severely disabled and those impacted by wildfires and natural disasters to relocate without encountering a significant moving penalty in the form of higher property taxes. Provisions in the law would:

- Expand transferability of the property tax to a home anywhere in California
- Apply to individuals 55 or older and those with severe disabilities
- Increase the number of transfers from 1 to 3 times
- Allow victims of wildfires/natural disasters to transfer their property value to a new home anywhere in the state of California

For Your Business

It is important to consider how Prop 19 will affect your clients, and to understand this law to accommodate their needs. Your clients may potentially benefit by taking action before or after the following dates:

Important Deadlines to Consider:

Feb. 15, 2021 - Parent-child/Grandparent-grandchild transfer benefit expires. (Clients may want to act before this deadline.)

April 1, 2021 - Enhanced Property Tax Portability provisions go into effect. (Clients may want to act on or after this date.)

Tips for You:

- Identify clients who may want to act on or before February 15 or after April 1.
- For example, homeowners 55 or older (empty-nesters especially) and those who are severely disabled may want to downsize their home or upgrade to a newer one. Other clients of interest would be those with existing holdings in real estate who at some point intend to transfer their property to their child or grandchild.
- Raise awareness about this law to your clients and encourage them to explore potential action with an attorney or tax professional.
- Educate yourself on Prop 19 and review the Board of Equalization Summary (www.BOE.CA.Gov/Prop19).
- Review your client and potential client lists to identify individuals who could be affected by Prop 19.
- Reach out directly to these individuals, share important information, and be a helpful resource for them.

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Questions and Answers

Q: Prop 19 offers certain California residents tax portability benefits. Which groups will be able to benefit?

A: Residents who are over 55, qualify as severely disabled, or whose homes have been seriously damaged by a natural disaster or wildfire.

Q: If the transferee does not elect to use an inherited property as their primary residence, can the property be exempt from tax reassessment?

A: Under Prop 19, the tax benefits only apply to inherited properties claimed as the principal residence of the transferee.

Q: Are all intergenerational transfers of a primary residence exempt from a tax reassessment under Prop 19?

A: No, not all of them. For example, if the difference between the transferred property's actual value and taxable value exceeds \$1 million, the new taxable value will be adjusted upward.

Q: I'm trying to determine how Prop 19 should impact my decision on whether and when to transfer my properties to my children. Who should I contact for advice?

A: You may want to contact a legal and/or tax professional to better understand how the various provisions of Prop 19 could impact your decision to buy, sell, transfer or hold onto your property.

