

Frequently Asked Questions



NOTE: No real estate licensee should provide advice relating to estate planning or other transfers. All questions from your client, and all questions regarding a licensee's own properties, should be referred to a qualified estate planning or real estate attorney

How does Proposition 19 benefit California's housing market and provide tax savings for homeowners and create new homeownership opportunities?

- ▶ Homeowners who are 55+ or severely disabled can transfer the property tax base of their existing home to another home anywhere in California, regardless of price, to be closer to family or medical care, downsize, or move to a home that better meets their needs without a property tax increase (with an adjustment upward to their tax basis if the replacement property is of greater value).
- ▶ Allows wildfire victims to transfer the property tax base of their damaged home to a replacement home anywhere in California.
- ▶ Creates housing opportunities to build more senior housing and retirement communities.
- ▶ Opens up more housing inventory in neighborhoods throughout California, providing homeownership opportunities for renters, young families, and first-time homeowners.

What are the new rules for homeowners to transfer their low property tax base to another home under Prop 19?

- ▶ Older homeowners, those who are disabled, or victims of wildfires or natural disasters can move anywhere in the state without location restrictions.
- ▶ Qualified homeowners can transfer their existing property tax base to another property regardless of the cost of the replacement home.
- ▶ Homeowners can transfer the property tax base of their existing home to a replacement home up to three times.
- ▶ The original property and the replacement property must be the principal residence of the homeowner.

Who is eligible to access these new tax benefits?

- ▶ Homeowners who are 55 years or older
- ▶ Severely disabled
- ▶ Victims of California wildfires or natural disasters.

How does Prop 19 work when purchasing a new home for the same price (or less) than the original home?

Transferring Tax Benefits to a New Home Across County Lines: If the sale price of the existing home is the same as (or less than) the purchase price of the replacement home, even if the replacement home is in another county, the tax base of the replacement home is the same as the original residence.

- ▶ **Example #1:** A senior couple on a fixed income lives in a home valued at \$600,000. They pay \$2,200 in property taxes (based on the \$200,000 original purchase price). They find a \$600,000 home to purchase near family in another county but can't afford the new \$6,600 annual property tax bill that comes with moving – it would cost \$4,400 more in annual property taxes to move.
- ▶ **Under Proposition 19:** The senior couple can purchase the \$600,000 home in another county without a property tax increase. Prop 19 allows these homeowners to transfer the tax base of their original home to the replacement home, saving \$4,400 in annual property taxes.

How does Prop 19 work when purchasing another home that costs more than the sales price of the original home?

If the sale price of the replacement home costs more than the price of the existing home, qualified homeowners can blend the tax base of their original home with the tax base of the new home. The new, adjusted property tax base of the replacement home takes the tax base of the original home and adds the difference between the sale price of the new home and the original home.

- ▶ **Example #2:** Another senior couple with a home valued at \$600,000 (also paying \$2,200 in property taxes) wants to downsize from the two-story home that is too big for their needs, is too expensive to maintain, and has stairs that are difficult for them to use. They want to downsize to a more manageable home in a newly built retirement community nearby for \$700,000, but they can't afford the \$7,700 spike in property taxes that comes with moving.
- ▶ **Under Prop 19:** This couple will save \$4,400 in annual property taxes. Prop 19 allows homeowners to keep their existing Prop 13 tax base and transfer it to a more expensive home. The property tax base of the new home is determined by adding the difference between the sales price of the replacement home (\$700,000) and the original home (\$600,000) to the tax base of the original home (\$200,000). In this example, the couple would pay \$3,300* in property taxes, instead of \$7,700 in property taxes. (*The tax savings could be greater depending on the definition of "equal or lesser" value).

Prop 19 example

Original Home Base	New Home Price	Original Home Price	(Difference)
\$200,000	\$700,000	\$600,000	= \$100,000

Prop 19 New Home Tax Base

$$\$200,000 + \$100,000 = \$300,000$$

When can eligible homeowners begin to use Prop 19 property tax transfers?

- ▶ Eligible homeowners who purchase a replacement home that closes escrow on or after April 1, 2021, qualify for Prop 19 property tax base transfers.
- ▶ Currently, the California Board of Equalization and local counties are drafting new documents for homeowners to apply for these property tax base transfers. As long as the purchase of the replacement residence closes after April 1, 2021, homeowners can transfer the tax base of their original home to the replacement residence.

What about property transfers occurring prior to April 1, 2021?

C.A.R. is currently seeking official clarification through implementing legislation. Until the clarification, REALTORS® should encourage their clients to seek the advice of a qualified California real estate attorney or tax advisor if there is a question about a transaction that closes prior to April 1, 2021.

Can homeowners still take advantage of Prop 60 (intracounty) and Prop 90 (intercounty), which allow seniors to transfer the base value from their current home to a replacement property if certain requirements are met?

- ▶ Yes. Currently, the provisions of Prop 60 and 90 are still in effect until April 1, 2021.

What counties participate in Prop 90?

- ▶ As of November 7, 2018, the following 10 California counties allow intercounty base transfers: Alameda, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo, Santa Clara, Tuolumne and Ventura.

What was the law before the enactment of Prop 19?

- ▶ Under Prop 60 and Prop 90, seniors and disabled homeowners faced location and price limits, restricted transfers to within the same county (with some exceptions), required that the price of the replacement home was less than or equal to the value of the original home, and only allowed one transfer.

Are Family Farms included in Proposition 19?

- ▶ Yes, family farms have the same exemptions as Family Homes (principal residences). “Family Farm” means any real property under cultivation or which is being used for pasture, or grazing, or that is used to produce any agricultural commodity.