

PROP19 PASSED

Property tax transfers, exemptions and tax revenue for wildfire agencies and counties amendment.

New changes you should know about that can affect your next escrow if eligible. Additional forms may be required through your escrow if you plan to transfer your tax basis during a sale transaction.

- **Effective April 1, 2021**, allows homeowners **55 or older, those with severe disabilities, and victims of wildfires and natural disasters** to transfer their tax assessments anywhere within the state of California to a primary residence of equal value with no property tax increase, or a more expensive primary residence with an upward adjustment within two years of the sale of the original primary residence.
- Increases the number of times that these eligible homeowners can transfer their tax assessments from one to up to three times.
- **Effective February 16, 2021**, requires that inherited homes that are not used as principal residences, such as second homes or rentals, be reassessed at market value when transferred to children or grandchildren.
- Allocates additional revenue or net savings resulting from the ballot measure to wildfire agencies and counties.

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Proposition 19 builds off of Proposition 13, passed in 1978, which limits property taxes to 1% of a home's value, based on the year the house was purchased. Proposition 13 also restricts the amount that taxable value can go up every year to 2%, even if a home's market value increases much more.

Currently, as soon as residents move to a new home after living in their old home for a long time, their property tax increases by a lot — this is the issue that Proposition 19 seeks to address. Proposition 19 allows homeowners who are 55 or older to transfer the taxable value of their old house to a new home of equal value or a more expensive home, thereby avoiding the big jump in property taxes they would otherwise face. This is designed to encourage seniors to enter the real estate market.

Proposition 19 also changes tax reassessments on inherited properties. Currently, under Propositions 58 and 193, primary residential homes are not reassessed when transferred to heirs, so any property that is benefitting from the low tax rates created by Proposition 13 would continue to benefit if a parent passes the property to a child or grandchild. Rental properties or vacation homes can also currently be transferred from parent to a child or grandchild with the first \$1 million tax basis exempt from re-assessment when transferred.

However, Proposition 19 makes it no longer possible for inherited homes to maintain the same low property tax rate enjoyed prior to the inheritance if the heir does not move into it as a primary residence. Children who inherit their parents' home, but only intend to keep it as a second home or rent it out, would see a big increase in property taxes under Proposition 19. Further, when the inherited property is used as the recipient's principal residence, but has a market value of \$1 million more than the property's taxable value, an upward adjustment in assessed value would occur.

Keep in mind that OCT offers eligible seniors, age 55 and older, a **15%** discount on title policy fees charged. For more information on how to qualify for this discount please contact your OCT Representative today!



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