

# PROP. 19, S

California Proposition 19 saw victory at the ballot box last November, and the new property tax breaks for some — and increases for others — will start affecting Californians in the coming months. Follow along as we break down some of the key aspects of this complex proposition. And for more in-depth information, check out the full Legal Q&A at [on.car.org/prop19qa](http://on.car.org/prop19qa).

> **First off, who can take advantage of the tax portability benefits from Prop. 19?**

All Californians who:

- Are over 55 years of age;
- Are severely disabled; or
- Own a home that has been substantially damaged due to wildfire or natural disaster.

**For people in these groups, Prop. 19 made three significant changes to the way property taxes are calculated when they sell a principal residence and move into a new primary residence. What are those changes?**

Sellers in these groups can now transfer the tax basis of their primary residence to a replacement property anywhere in the State of California. Previously, inter-county transfers were done on a limited basis.

Sellers in these groups can now transfer the tax basis of their sold prop-

erty to their replacement property regardless of value. Previously, transfers had to be only to properties of equal or lesser value. (Some adjustments will be made if the property is of greater value.)

Sellers and these groups may take advantage of this benefit up to three times — and victims of wildfires and other natural disasters have no limitations. Previously, sellers could only make use of this transfer one time.

**Who qualifies as “severely disabled”?**

Per California Revenue and Tax Code Sec. 74.3, any person who has a physical disability or ailment, whether from birth or by reason of accident or disease, that results in a functional limitation as to employment or other activities can likely qualify as “severely disabled.”

# IMPLIFIED

**When do these tax transfer benefits go into effect?**

Beginning on April 1, 2021.

**So, what if I qualify and want to sell my home now. Do I need to wait until April 1, 2021, to purchase another home?**

While we believe as long as either the sale of an existing home or the purchase of a new one occurs after April 1, 2021, the transaction will be eligible for Prop. 19 benefits – as long as both transactions were completed within two years of each other, this question still needs to be legally resolved.

If you've already transferred your property tax base once, you must wait until after April 1, 2021, to do so again.

**Can I purchase a replacement property before selling my primary residence?**

Yes.

**Prop. 19 also takes away some tax benefits for intergenerational family transfers. How does that work?**

Under Prop. 19, the only time an intergenerational property transfer is not subject to a tax reassessment is when a primary residence is transferred to a child or grandchild, and that person continues to use the residence as a family home. Even then, if the difference between taxable value and actual value is more than \$1 million, some upward adjustment on the taxable value will be imposed.

**So if a child inherits a family property but chooses not to use that property as their primary residence, the property's tax basis will be reassessed?**

Correct.

**When do the intergenerational family transfer rules kick in?**

Beginning on February 16, 2021.

Because every situation is unique, C.A.R. encourages homeowners to consult with their own tax attorney regarding any questions associated with intergenerational transfers.

**My client wants advice on how to time their purchases and transfers. What should I say?**

C.A.R. does not encourage REALTORS® to provide advice relating to real estate planning or other transfers. For the time being, sellers who want advice on timing of a sale should consult with a tax advisor prior to selling.

**This is a brief summary of the main pillars of Proposition 19 – for more detailed information, please visit the Legal Q&A at [on.car.org/prop19qa](https://on.car.org/prop19qa).**