

## Assessor/Recorder Department

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### **Proposition 19 approved by voters on November 3, 2020**

On November 3, 2020, voters in California approved Proposition 19 “The Home Protection for Seniors, Severely Disabled, Families, and Victims of Wildfires or Natural Disasters Act.” This Constitutional amendment to Proposition 13 removes and changes some of the parent to child and grand-parent to grand-child property tax exclusions and expands provisions for base year value transfers of a primary residence for persons at least 55 years of age, severely disabled, victims of wildfires or natural disasters.

Changes to the exclusions for parent/child and grandparent/grandchild begin on February 16, 2021 and changes to base year value transfers for persons at least 55 years of age, severely disabled, victims of wildfires or natural disasters begin April 1, 2021. Unfortunately, Prop 19 did not have companion legislation from the California Legislature that would direct my office as how to implement the new law. However, I will make every effort to apply the law as written, while awaiting further guidance from the California Legislature.

Under current law, parents can transfer to children and grandchildren (in limited circumstances) their primary residence along with the property tax base (the assessed value of the property). This can amount to substantial property tax savings for the children/grandchildren. Current law does not place a cap on the assessed value being transferred and the transferee is not required to live on the property. Property that is not the primary residence of the parent/grandparent (such as a second home or rental property) is also eligible for the exclusion, however, there is a \$1 million cap on assessed value above which the exclusion no longer applies.

Effective February 16, 2021 only primary residences will be eligible for the parent to child/grandparent to grandchild exclusion transfer, with a cap of \$1 million on the exclusion value. Also, the child/grandchild must make the home their primary residence or surrender the exclusion. If those criteria are not met, the property would be reassessed at market value (what it would sell for in the open market). After February 15, 2021, the exclusion is no longer available for properties that are not a primary residence, which means parents/grandparents can no longer transfer the property tax base of second homes or rental properties to their children/grandchildren. In all cases, the value of the property would become market value as of the date of transfer.

Also under current law, any person 55 years or older or severely and permanent disabled who resided in a property eligible for the homeowner’s exemption, may transfer the property tax base of that property to any replacement dwelling of equal or lesser value within the same county unless there is an intercounty ordinance allowing transfer to another county. Solano does not have such an inter-county ordinance. A property owner can transfer their tax base one time based on age and a second time for a subsequent disability.

Effective April 1, 2021 base year value transfers of a primary residence for 55 and over, severely disabled or the newly added victim of wildfire or natural disaster can be applied across all California county lines, with no requirement for an inter-county ordinance. Additionally, a more expensive replacement home is eligible, with the amount above 100% of the original home’s market value being added to the transferred value. For example, if the property tax base on your original home is \$300,000 and you sell it for \$500,000 (market value) and purchase a replacement for \$600,000

(purchase price), under current law you receive no property tax relief because the purchase price of the replacement home is higher than the market value of the original home by \$100,000. However, under Prop 19, you would be able to carry your base assessed value of \$300,000 (pay property taxes based on assessed value) plus the \$100,000 difference between \$600,000 and \$500,000. So your adjusted property tax base would be \$300,000 plus \$100,000 or \$400,000 instead of \$600,000. Also, the number of allowed transfers increases to three (3) under Prop 19.

Since the passage of Prop 19, I have been working with my colleague assessors in the California Assessors' Association (CAA), the Legislature and the Board of Equalization (BOE) to provide guidance on this new law so that a smooth transition can take place. In fact, the CAA has formed a special committee to address all aspects of Prop 19 and its implementation. As I mentioned earlier, we do not believe all the needed changes by the Legislature (implementing legislation) will be in place prior to the aforementioned effective dates. As your Assessor, I humbly ask for your patience as my colleagues and I work towards full implementation of this new law.

Below is a summary of many of the key provisions of Prop 19

Under current law (known as Prop 58 and Prop 193) transfers of real property between **Parents and Children and Grandparents and Grandchildren** excluded from reassessment include

- Transfers of primary residences (with no limit on value) and no requirement for the property to remain the principal residence of the children/grandchildren
- Transfers of the first \$1 million of real property other than the primary residence (applies separately to each eligible transferor)

Under Prop 19 and **effective February 16, 2021**

- Transfers of primary residences have a value limit of the current assessed value plus \$1 million and the property must continue to be used as the primary residence of the transferee
- Transfers of the first \$1 million of real property other than the primary residence is no longer excluded from reassessment

Under current law (known as Prop 60) the **Base Year (assessed) Value transfers** of real property

- Any person 55 years or older or severely and permanent disabled who resided in a property eligible for the homeowner's exemption, may transfer the base year value of that property to any replacement dwelling of equal or lesser value within the same county unless there is an intercounty ordinance allowing transfer to another county (Solano does not have an inter-county ordinance)
- A property owner can transfer one time based on age and a second time for a subsequent disability

Under Prop 19 and **effective April 1, 2021**

- Base year value transfers of primary residence for 55 and over, severely disabled or victim of wildfire or natural disaster, will be accepted throughout the state, with no requirement for an inter-county ordinance
- Allows for the purchase of a more expensive replacement home, with the amount above 100% of the original home's market value being added to the transferred value
- The number of allowed transfers is increased to three (3) times