



COUNSEL TO GREAT COMPANIES

Property Tax Planning Post Proposition 19

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Proposition 19

On November 3, 2020, California voters narrowly approved Proposition 19 (The Home Protection for Seniors, Severely Disabled, Families, and Victims of Wildfire or Natural Disasters Act), which passed with 51.11% of the vote.

Proposition 19:

- Replaced the existing parent-child/grandparent-grandchild exclusion with a version much more limited in scope; and
- Expanded the ability of homeowners who are over 55 or disabled to transfer the base year value of their home to a replacement residence, and also granted that right to those who lost their homes to wildfire or other natural disasters.

Proposition 13

“Prop. 13” was enacted by California voters in June 1978 (passing with 62.6% of the vote), adding Article XIII A to the state constitution.

Key Components:

- Property taxes are limited to 1% of “full cash value” (commonly referred to as “assessed value”).
 - Cal. Const. art. XIII A, §1(a)
- Assessed value at the time was rolled back to 1975 values. Thereafter, the assessed value is the appraised value of real property when purchased, newly constructed, or **a change in ownership** has occurred after the 1975 assessment.
 - Cal. Const. art. XIII A, §2(a)
- Annual increase of assessed value is restricted to an inflation factor that cannot exceed 2%.
 - Cal. Const. art. XIII A, §2(b)

Proposition 13 – Change in Ownership Defined

- “A ‘change in ownership’ means a transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee interest.”
 - Cal. Rev. and Tax. Code §60.
- A change in ownership of course occurs when there is a transfer of real property by deed, but also in the following less obvious circumstances:
 - Immediately upon the death of a real property owner, even if a deed has not yet been signed and recorded documenting the transfer.
 - When a trust becomes irrevocable or when a beneficial interest in a trust vests, including, e.g., death of the trustor of a revocable trust, death of the beneficiary of an irrevocable trust.
 - “Change in ownership” or “change in control” of a legal entity that owns real property.

Prop. 13 – Transfers That Constitute a Change in Ownership

California Revenue and Taxation Code section 61 provides the following list of transfers that constitute a change in ownership:

- (a) – Transfers of oil, gas, or other mineral rights.
- (b) – Creation, renewal, extension or assignment of a taxable possessory interest in tax exempt real property.
- (c) – Creation, transfer and termination of long-term leases of 35 years or longer.
- (d) – Sublease of a taxable possessory interest in tax-exempt real property.
- (e) – Creation, transfer, or termination of any joint tenancy interest except as provided in §§ 62(f), 63, and 65.
- (f) – Creation, transfer or termination of any tenancy in common interest, except as provided in §§ 62(a) and 63.
- (g) – Vesting of the right to possession or enjoyment of a remainder or reversionary interest that occurs upon termination of a life estate or other similar precedent property interest, except as provided in §§ 62(d) and 63.
- (h) – Vesting of interests in real property in a person other than a trustor (or the trustor's spouse) when a revocable trust becomes irrevocable.
- (i) – Transfer of stock in a cooperative housing corporation.
- (j) – Transfer of any interest between a corporation, partnership, or other legal entity and a shareholder, partner, or any other person.

Prop. 13 – Transfers That Do Not Constitute a Change in Ownership

California Revenue and Taxation Code section 62 provides that the following list of transfers do not constitute a change in ownership:

- (a) – **Transfers between co-owners where proportional interests remain the same (partition, tenancy in common), transfers between individuals and legal entity or between legal entities where the proportional interests remain the same.**
- (b) – Transfers to perfect title.
- (c) – Creations, assignments, terminations, or reconveyances of security interests, or substitution of trustee under a security interest.
- (d) – Transfers into trust where transferor or spouse or RDP is the present beneficiary, and transfers into revocable trusts, or transfers from such trusts back to trustor, or creation or termination of a trust in which the trustor retains reversion and the interest of others is not more than 12 years.
- (e) – Transfers that reserve an estate for years or estate for life in transferor.
- (f) – **Creations or transfers of joint tenancies if the transferor is one of the joint tenants.**
- (g) – Transfers of lessor's interest in lease with a remaining term of 35 years or longer (also, homeowners' exemption presumption for leased land).

Prop. 13 – Transfers That Do Not Constitute a Change in Ownership (cont.)

California Revenue and Taxation Code section 62 provides that the following list of transfers do not constitute a change in ownership (cont.):

- (h) – Transfer of interests in certain group trusts or pooled funds.
- (i) – Certain transfers of stock in a housing cooperative financed under one mortgage for persons of limited income.
- (j) – Certain transfers between March 1975 and March 1981 between co-owners of property eligible for a homeowners' exemption.
- (k) – Transfers between certain related religious organizations.
- (l) – **Transfers to correct or reform a deed to express the true intention of the parties.**
- (m) – **Certain intra-family transfers of dwellings to minor children as a result of court order due to death of parents.**
- (n) – Certain transfers of dwelling units from parents or guardians to disabled children (but there is an income test).
- (o) – Transfers of possessory interests subject to sublease that exceeds half the length of remaining term of the leasehold.
- (p) – Transfers between registered domestic partners.
- (q) – Transfers between local registered domestic partners between 1/1/2000 and 6/26/2015.
- (r) – Parent to child transfer upon parent's death of stock in a "qualified corporation" (created between 3/1/75 and 11/6/86; owned solely by parents and children) that owns personal residence of parents and child.

Prop. 13 – Transfers That Do Not Constitute a Change in Ownership (cont.)

California Revenue and Taxation Code sections 62.1-69.5 provide that the following list of transfers do not constitute a change in ownership:

- §62.1 – Transfer of a mobilehome park to an entity formed by its tenants.
- §62.2 – Same as 62.1, but with an intermediary transfer.
- §62.3 – **Transfer of a cotenancy interest upon the death of one cotenant to the sole other cotenant if the property was the residence of both for the year preceding the transfer. Interest can pass via will, trust, intestate succession, or operation of law (e.g. JTWRWS).**
- §62.5 – Transfer of a floating home marina to an entity formed by its tenants.
- §62.11 – Recordation of a certificate of sale relating to property sold subject to the right of redemption.
- §63 – **Any interspousal transfer, including transfers between former spouses in connection with a MSA or decree of dissolution or legal separation.**
- §63.1 – **Parent-child / grandparent-grandchild exclusion.** *(Note that because Prop. 19 has not yet been codified, this section still reflects the old rules under Props. 58 and 193)*
- §64 – **Transfers of ownership interests in legal entities, except in the case of a “change in ownership” or “change in control” of the legal entity.**
- §65 – **A transfer creating a joint tenancy where the transferor(s) is/are among the joint tenants. (No change in ownership until there is no remaining original transferor in the joint tenancy.)**

Prop. 13 – Transfers That Do Not Constitute a Change in Ownership (cont.)

California Revenue and Taxation Code sections 62.1-69.5 provide that the following list of transfers do not constitute a change in ownership (cont.):

- §65.1 – De minimus transfers of less than 5% of the value of a property if the FMV of the transferred interest is less than \$10,000.**
- §66 –** Certain transfers related to an employee benefit plan.
- §68 –** A replacement property for a person displaced by eminent domain proceedings.
- §69 –** Property purchased to replace a property within the same county that was substantially damaged or destroyed by a Governor-declared disaster.
- §69.3 –** Property purchased to replace a property in another that was substantially damaged or destroyed by a Governor-declared disaster, if permitted by the county in which the replacement property is located.
- §69.4 –** A replacement property for a qualified contaminated property in the same county.
- §69.5 – Replacement residences for persons over 55 and persons who are disabled.** *(Note that because Prop. 19 has not yet been codified, this section still reflects the old rules under Props. 60, 90, and 110.)*

Old Parent-Child Exclusion Rules under Proposition 58

Old Parent-Child Exclusion:

- **Effective Dates**. Proposition 58 was effective November 6, 1986 – February 15, 2021.
- **Amount of Exclusion**. Each transferor had a “parent-child exclusion” to the extent of the following, which allowed him/her to transfer such property to any of the transferor’s parents and children:
 - The transferor’s principal residence (could be done an unlimited number of times); and
 - \$1 million of “full cash value” (*i.e.*, **assessed value**) of other real property.
 - (Cal. Rev. and Tax. Code §63.1(a).)
- **Liberal Definition of Child**. Step-children and spouses of children and step-children were included in the definition of children. Spouses were included until divorce or, if child is deceased, until surviving spouse remarried.
 - (Cal. Rev. and Tax. Code §63.1(c)(3).)
- **Must Be Timely Claimed**. Exclusion must be pro-actively claimed by filing a parent-child exclusion form within three years of the transfer, before subsequent transfer to a third party, or within six months after the date of mailing of a notice of supplemental or escape assessment.
 - (Cal. Rev. and Tax. Code §63.1(e).)

Old Grandparent-Grandchild Exclusion Rules under Proposition 193

Old Grandparent-Grandchild Exclusion:

- Effective March 27, 1996 – February 15, 2021.
- Tracked the parent-child exclusion rules, except:
 - Only transfers from grandparent to grandchild qualified (not vice versa).
 - All parents of the grandchild who qualify as children of the grandparent must have been deceased. A disclaimer **could not** be used to satisfy this requirement.
 - This initially included a grandchild's step-parent who was married to the grandchild's parent at the time of his/her death, but effective January 1, 2006, such step-parents no longer needed to be deceased for the grandchild to qualify.
 - Exclusion only applied to the extent the deceased parent's \$1 million exclusion was not fully used, and a principal residence could be excluded only if the grandchild had not received a principal residence from his/her parents. (Cal. Rev. and Tax. Code §63.1(a)(3).)

New Parent-Child and Grandparent-Grandchild Exclusions under Proposition 19

Proposition 19 replaces Propositions 58 and 193 as to transfers occurring on or after February 16, 2021.

Proposition 19 pares down the parent-child and grandparent-grandchild exclusions as follows:

1. The exclusion applies only to the transferor's primary residence (referred to as the "family home") or a family farm (there is no longer an exclusion for \$1 million of assessed value of other property).
2. The residence must become the transferee's primary residence. If it does not, then the property will be reassessed to its fair market value.
3. The exclusion only applies to the extent the fair market value of the primary residence at the time of transfer exceeds the transferor's assessed value by \$1 million or less. If, at the time of transfer, the difference between the assessed value and the fair market value of the home exceeds \$1 million, the new assessed value will be the fair market value less \$1 million.

How to Calculate Assessed Value under Proposition 19

- Alternative 1: If $\text{FMV} - \text{Assessed Value} = \underline{\$1 \text{ million or less}}$. Then continue to use existing assessed value.

(Example #1 – \$700K assessed value, \$1.6M FMV; $1.6\text{M FMV} - \$700\text{K} = \900K ; Therefore assessed value continues to be \$700K.)

- Alternative 2: If $\text{FMV} - \text{Assessed Value} = \underline{\text{more than } \$1\text{M}}$. Then $\text{FMV} - \$1\text{M} = \text{new assessed value}$.

(Example #2 – \$700K assessed value, \$2M FMV; $\$2\text{M FMV} - \$700\text{K assessed value} = \1.3M (exceeds \$1M). Therefore $\$2\text{M FMV} - \$1\text{M} = \$1\text{M}$ new assessed value.)

Unanswered Questions

How soon does the child need to move into the family home? What if child is already living in the residence?

What if the child moves in, but later moves out and ceases to claim the homeowners' exemption on the property?

What if the property is given to more than one child?

What is a family farm?

Reactions to Proposition 19

- Voters surprised
 - Perception: helping firefighters, victims of wildfires and other disasters, and expansion of prop 60 for these victims and seniors
 - Unaware: Parent-child property tax exclusion was being severely limited
- Realtors happy
- Lawyers and other professionals had questions –
 - Poorly written (examples: “taxable value” for “assessed value” and “assessed value” for “fair market value”) and not accompanied by legislative bill to implement it.

*** “...eliminat[es] unfair tax loopholes used by East Coast investors, celebrities, wealthy non-California residents and trust fund heirs to avoid a fair share of property taxes on vacation homes, income properties and beachfront rentals...”*

Update on Proposition 19

- **SB 668 (Bates)** – Bill to delay Prop 19 for 2 years. On May 6th, Senate Governance and Finance Committee voted to not act on this Bill.
- **ACA 9 (Kiley)** – Constitutional bill to propose to the people of California to repeal the limitations on parent-child exclusion set out in Prop 19. May be heard by committee on June 4th.
- **SB 539 (Hertzberg)** – Bill to assist in implementation of Prop 19. Approved after 3rd reading in Senate. Supported by associations representing assessors, realtors, firefighters and counties.
- Howard Jarvis Taxpayers Association and other citizen actions.

BOE Guidance on Effective Date of Prop. 19

- Because February 15, 2021 was a state holiday, transfers (other than via inheritance) that occurred on February 16, 2021 will fall under the Prop. 58/193 (rather than Prop. 19). (*Chief Counsel Memo dated 1/8/21.*)
- The date of transfer controls, rather than the recording date. If a deed was signed and notarized on or before 2/16/21, or if a decedent died on or before 2/15/21, Prop. 58/193 will apply, regardless of the recording date. (*Letter to Assessors No. 2021/008.*)
- “Property Tax Rule 462.260 makes clear that the recordation date of a deed is rebuttably presumed to be the transfer date. This means that if evidence is shown that the transfer occurred prior to the recordation date, the assessor should accept that earlier date. Such evidence could be, for example, the date of a notarized document of transfer, such as a deed.”
- Note – a date of death on or before 2/15/21 will fall under the old rules.

Planning – Changes to Trust Forms

- If children/descendants will be beneficiaries of a bypass trust, add a carve out to exclude them as beneficiaries of any California real estate.
- If real estate will be reassessed upon the death of a beneficiary (e.g. upon the death of surviving spouse), include as many descendants as possible as beneficiaries of any ongoing trust that will continue to hold the property. *(See further discussion on next slide.)*
- Consider including lifetime limited powers of appointment
 - at least over California real property and legal entities holding California real property.

Planning – Language for Ongoing Irrevocable Trusts

Carve out any California real property held in the trust, any legal entity held in the trust that owns California real property, and any income generated from either to be administered solely for the benefit of the primary beneficiary and his or her descendants living:

- At the time such property or entity was acquired by or transferred to the trust.
- In the case of a property that is reassessed while held in the trust, at the time of such reassessment.
- At the time the entity acquires California real property.
- In the case of an entity to which a property is contributed by the trust, the date applicable to the property prior to such contribution (either under 1 or 2 above), so that the contribution will be a proportional transfer.
- At the time the property was acquired by or transferred to the trust, or In the case of a property that is distributed out of an entity held in the trust, at the time applicable to the entity prior to such distribution (either under 1, 2, 3, or 4 above), such that the distribution of the property out of the entity will be a proportional transfer.

Consider including flexibility via trust protector provisions or otherwise.

Planning – Joint Tenancy Original Transferor Exception

-Revenue and Taxation Code sections 62(f) and 65 create this exception.

- “There shall be no change in ownership upon the creation or transfer of a joint tenancy interest if the transferor or transferors, after such creation or transfer, are among the joint tenants. Upon the creation of a joint tenancy interest described in this subdivision, the transferor or transferors shall be the “original transferor or transferors” for purposes of determining the property to be reappraised on subsequent transfers. The spouses of original transferors shall also be considered original transferors within the meaning of this section.” (RTC §65(b).)
- No reassessment until the joint tenancy interest of the last remaining original transferor is terminated. (RTC §65(c).)

-Planning strategies:

- Create as many original transferors as possible.
- Combine the joint tenancy original transferor exception with the cotenant exception under section 62.3 (discussed below).

Planning – Original Transferors Strategy

-Goal: create as many original transferors as possible to defer reassessment as long as possible.

- Need to change title to joint tenancy from another form of title, or add an additional joint tenant to an existing joint tenancy. (Rule 462.040(b)(1).) If a property is purchased as a joint tenancy, there are no original transferors (would need to add an additional joint tenant or transfer to tenancy in common and then back to joint tenancy to create original transferors).
- Joint tenants on title on or before March 1, 1975 are automatically original transferors.

-Example: H&W own Blackacre. They gift 1% of Blackacre to their two children, A & B, in equal shares (0.5% each). (If Blackacre is worth less than \$1 million and the gift is thus less than \$10,000, it should qualify for the de minimus exception under section 65.1 and be exempt from reassessment.) H, W, A, and B then sign a deed transferring Blackacre to themselves as joint tenants. Under sections 62(f) and 65(b), all four are original transferors. So long as the joint tenancy is not severed, Blackacre should not be reassessed until the last of H, W, A, and B dies or otherwise disposes of his/her interest.

- Unfortunately, it appears that H, W, A & B cannot transfer into a legal entity after creating the joint tenancy. This would terminate the original transferors' joint tenancy interests and would trigger reassessment. (Rule 462.040(b)(4)(C).)

Planning – Effects of Adding a Joint Tenant

-Unlike bank accounts, where adding a non-spouse, e.g. a child, as a joint tenant is not a reportable gift unless and until the child starts to draw funds from the account for the child's personal use (Revenue Ruling 69-148), a gift will be deemed to have occurred immediately if a child is added as a joint tenant on title to real property (Treas. Reg. § 25.2511-1(h)(5)).

-Joint tenancy is not ideal for estate planning purposes. (In prior example, what if A and B have children and/or a spouse?)

Planning – Cotenant Exception

-Under Revenue and Taxation Code section 62.3, a transfer upon the death of one cotenant to the other surviving cotenant is exempt from reassessment if:

- There are just two cotenants who own 100% of the property;
- The surviving cotenant owns 100% of the property after the death of the deceased cotenant; and
- For the one-year period immediately preceding the transfer, the property was co-owned by both parties and both continuously resided in the property as their principal residence.

Planning – Cotenant Strategy

- This is useful when two (and only two) unmarried parties live together. (If married, you get the spousal exclusion so you don't need this.)
- If the two parties already co-own the residence, it does not matter if they hold title as tenants in common or joint tenants.
- If the property is owned by only one of the parties, the only ways to create co-ownership to qualify for the cotenant exception without triggering reassessment are:
 - To add the other party on as a joint tenant such that the original owner qualifies as an original transferor under section 62(f) (discussed above); or
 - Gift a TIC interest small enough to qualify for the de minimus exclusion. The benefit to this is that you would maximize the basis step up at death.
- In the right circumstances, this could be a better option than the new parent-child exclusion for a parent-child transfer of a primary residence if all requirements can be met because no limit in value of the home.

Legal Entities – Transfers of Ownership Interests

- A transfer of an ownership interest in a legal entity is not a transfer of the real property held by the entity under California Revenue and Taxation Code subsection 64(a), unless one of the following occurs and there is no applicable exclusion (such as spousal or proportional transfer):
 1. There is a change in control of the entity under subsection 64(c)(1); or
 2. There is a change in ownership of the entity under subsection 64(d).

Legal Entities – Change in Control Rule

Change in Control

- If there is a change in control of a legal entity, such that another legal entity or person obtains more than 50% of the voting stock (if a corporation) or obtains a “controlling interest” (if any other legal entity), there is a change in ownership of any California real property held by such entity unless one of the following exclusions applies (Cal. Rev. and Tax. Code §64(c)(1)):
 - The proportional ownership interest transfer exclusion (Cal. Prop. Tax Rule 462.180(d)(4));
 - The interspousal or registered domestic partner exclusion (Cal. Rev. and Tax. Code §§ 62(p), 63, and Cal. Prop. Tax Rule 462.220); or
 - The transaction is a reorganization among affiliated corporations (Cal. Rev. and Tax. Code § 64(b)).

Legal Entities – Change in Ownership Rule

Change in Ownership

- The following change in ownership rules apply only to property that was transferred into a legal entity and excluded from change in ownership under the proportional interest transfer exclusion (Cal. Rev. and Tax. Code § 62(a)(2).)
 - If a property is transferred to a legal entity in a proportional transfer such that it was excluded from change of ownership, the owners of the legal entity immediately after the transfer are called “original co-owners.”
 - For example, A and B each own 50% of Blackacre. They execute a deed transferring Blackacre to Blackacre LLC – which is owned 50% by A and 50% by B. There is no change of ownership and A and B become “original co-owners.”
- Whenever **cumulatively** more than 50% of the “original co-owners” interests have been transferred, there is a change in ownership of the real property held by the entity that was originally excluded from change in ownership.

Legal Entities – Change in Ownership Rule (continued) – Exclusions

Counting and Cumulating Transfers

- The following transfers are not counted toward a change in ownership:
 - Interspousal transfers qualifying under California Revenue and Taxation Code section 63 (and registered domestic partner transfers under subsection 62(p)) (see also California Property Tax Rule 462.220);
 - Transfers into a revocable trust or a trust for the benefit of the transferor and/or his/her spouse; and
 - Proportional interest transfers.
- Parent-child and grandparent-grandchild transfers are counted. There is no exclusion available (under the old rules and under the new rules).
- After an original co-owner makes a transfer that is not counted (due to an exclusion), the transferee becomes an original co-owner (such that subsequent transfers by the transferee will be counted unless excluded).
- After an original co-owner makes a transfer that is counted, the transferee does not become an original co-owner; thus, subsequent transfers by the transferee will not be counted.

Legal Entities – Transfers In, Out, or Between

- Any transfer into or out of a legal entity, or between two legal entities, is a change of ownership unless the proportional ownership interests of the transferors and transferees are the same.
 - Cal. Rev. and Tax. Code §62(a)(2).
- For example, a client owns 50% of a property and each of her two children owns 25%. The client and her children execute a deed transferring their respective interests in the property to an LLC. So long as client is 50% owner and each child is 25% owner of the LLC, the transfer is proportional and there is not a change in ownership.

Planning – Strategies Involving Legal Entities

- Whenever possible, purchase real property in a legal entity from the outset, so that you are only subject to the change in control rules (and not the change in ownership rules), such that the property will never be reassessed unless a new person or entity obtains more than 50% control.
 - Even recommended for a primary residence. Per 26 CFR § 301.7701-3, if the entity is a disregarded entity, the entity will be ignored and owner will still qualify for the section 121 exclusion of gain upon sale.
- If a property is subject to the change in ownership rules, transfer the 50% that is permitted and then remove the property from the entity before any more transfers occur.
- What, if anything, from the “uncodified note” strategy remains available?

Planning – Uncodified Note

An uncodified note in the bill that enacted Revenue and Taxation Code section 63.1 (section 2 of Chapter 48, Statutes of 1987), expressed the legislative intent that section 63.1 be liberally construed, including specifically that the step-transaction doctrine should not be applied to transfers of real property out of a legal entity for the purpose of making a parent-child transfer by deed, and further that it should not be applied to subsequent transfers back into a legal entity after a parent-child transfer.

Planning – Uncodified Note – Property Tax Annotation 625.0196

Property Tax Annotation 625.0196 from 2005 applied the uncodified note to approve the following series of transfers as being exempt from reassessment:

- **STEP 1** - Husband (H) and Wife (W), as coowners, transfer Blackacre to limited liability company (LLC), each receiving a 50 percent membership interest in LLC. (*Exempt under §62(a)(2) as a proportional transfer.*)
- **STEP 2** - H and W each gift one-half of their interest in the LLC to their Child (C), so that H and W now each own 25 percent and C owns 50 percent of the membership interest in the LLC. (*Exempt under §64 because no more than 50% was cumulatively transferred.*)
- **STEP 3** - The LLC transfers Blackacre to H, W and C in proportion to their respective membership interests in the LLC, as tenants in common. (*Exempt under §62(a)(2) as a proportional transfer.*)
- **STEP 4** - H and W transfer one-half of their respective interests in Blackacre to C, with the result that H and W now each own a 12.5 percent interest in Blackacre and C owns a 75 percent interest in Blackacre. (*Exempt under the parent-child exclusion (§63.1).*)
- **STEP 5** - H, W and C transfer Blackacre to the LLC, each receiving the same proportional membership interest in the LLC, namely, H and W own 12.5 percent each, and C owns 75 percent. (*Exempt under §62(a)(2) as a proportional transfer.*)
- **STEP 6** - H and W transfer their remaining 12.5 percent interests in the LLC to C, with the result that C becomes the sole owner of the LLC. (*Exempt under §64 because no more than 50% was cumulatively transferred.*)

Planning – Impact of Proposition 19 on Steps 1 – 6 in the Annotation

- Step 4 no longer qualifies for the parent-child exclusion (assuming this isn't parents' primary residence and becoming that of child). Instead, the size of the transfer could be minimized to reduce the portion subject to reassessment, or even reduced enough so that it qualifies for the de minimus exclusion under section 65.1.
- The bigger issue is that without the parent-child exclusion as codified in section 63.1, there is no uncodified note.

Proposition 19 – Replacement Residence

The second element of Proposition 19 took effect on April 1, 2021. It provides that an owner of a primary residence who is over 55 years of age, severely disabled, or a victim of a wildfire or natural disaster may transfer the assessed value of their primary residence to a newly purchased or newly constructed replacement primary residence located in any county in this state, regardless of the value of the replacement primary residence, within two years of the sale of the original primary residence.

In sum,

1. Must be a primary residence
2. Applies only if over 55 years old, severely disabled, or **victim of a wildfire or natural disaster**.
3. Can transfer assessed value to **any county** in California.
4. Two years time limit (within sale of original residence)
5. Replacement must be purchased or newly constructed
6. New residence can **cost more*** or cost less than prior residence.
7. **Three transfers** of a primary residence allowed.

Questions?



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