

Proposition 19: A Primer



How could Prop 19 benefit me?

Now that the election's over, we've been getting a lot of questions about Proposition 19 and who it benefits. Basically, Prop 19 makes it easier for homeowners 55 or older to move to another home statewide and keep the taxable value (tax basis) of their original home. Under the old law, you could only move that basis between two counties that had opted in to the law – and you could only do it once. Under Prop 19, you can move the basis anywhere in the state, and do it three times.

If you're transferring the taxable value to a replacement "of equal or lesser value," the taxable value of your new residence will be the same as that of your original one. If you transfer your basis to a replacement of greater value, then the taxable value (basis) of your original primary residence is increased by the difference between the sales price of that residence and the purchase price of your replacement one. That new number becomes the replacement home's basis.

As an example, if your present, original residence has a tax value of \$100,000 but a cash value of \$500,000, and you buy a replacement primary residence for \$1 million, then the tax value (basis) for the new home will be \$600,000 (the original tax value (\$100,000) plus the difference in cash value between the two properties (\$1 million minus \$500,000). Note that even though there is a step up in basis due to the increased value of your new home, it's held down by starting with the basis of your original residence.

Prop 19 still covers the transfer of a family home between parents and their children, including through inheritance -- but the home's tax value can only be transferred if "the property continues as the family home of the transferee." In other words, if you inherit your parents' property, you can only keep their tax basis if you continue to use that property as your primary residence. If you want to use the property as an investment, you won't get the benefit of its original basis.

While we can answer general questions on the issues discussed here, you'll want to contact your accountant for more detailed information.



Proposition 19



Will Proposition 19 benefit me?

- **What does Prop 19 do?**

It allows some homeowners to move into a new home but be taxed based on their old assessment.

- **When does it take effect?**

April 1, 2021.

- **Who is eligible?**

California homeowners 55+.

People who are victims of a wildfire or disabled are also eligible.

- **How many times can a homeowner take advantage of this law?**

Three times.

- **What if the value of my new home is higher than that of my old one?**

The taxable value of your old primary residence is increased by the difference between its sale price and the purchase price of your new home.

- **What if I want to transfer the home to my children?**

They can only keep the new tax basis if they use the home as their primary residence.

If they want to use it as an investment, they can't keep the new tax basis.

While we can answer general questions on the issues discussed here, you'll want to contact your accountant for more detailed information.

