



# Proposition 19

Base Year Value Transfers for Homeowners who are over 55 years of age, severely disabled, or victims of a governor declared natural disaster.

Effective April 1, 2021



# What is Proposition 19?

On November 3, 2020, California voters approved Proposition 19, the “Home Protection for Seniors, Severely Disabled, Families and Victims of Wildfire or Natural Disasters Act”.

This constitutional amendment expands the ability of homeowners who are age 55 or older, severely disabled, or victims of a wildfire or other natural disaster to transfer their existing Prop. 13 base year value of their primary residence to a replacement primary residence in any county within the state of California.



# Proposition 19 Impact

- ▶ Prop. 19 allows eligible homeowners who are over the age of 55, severely disabled, or victims of governor declared natural disasters to transfer the factored base year value of their existing home from any county in the state, to their new replacement home in any county in the state
- ▶ The replacement home can cost more than the sale price of the original home
  - ▶ If the replacement home is worth more than the market value of the original residence, the difference in market value will be added to the existing Factored Base Year Value of the original residence for base year value transfer purposes
- ▶ A replacement home must be purchased or newly constructed within 2 years of the sale of the original home
- ▶ This base year value transfer can be made up to three times per individual

*These provisions became effective as of April 1, 2021.*

*Please see the following chart developed by the State Board of Equalization for a brief summary of the impact of Prop. 19.*

# Base Year Transfer

Source: California State Board of Equalization	Proposition 19 (Persons 55 & Older or Severely Disabled)	Proposition 19 (Disaster Relief)
Type of Property	•Principal residence	•Principal residence
Timing	•Purchase or newly construct residence within 2 years of sale	•Purchase or newly construct residence within 2 years of sale
Location of Replacement Home	•Anywhere in California	•Anywhere in California
Value Limit	•Any value •Amount above 100% is added to transferred value	•Any value •Amount above 100% is added to transferred value
How many transfers?	•Three times	
Type of Disaster		Wildfire, as defined, or natural disaster as declared by the Governor
Implementing Statute	•To be determined	•To be determined
Important Dates	•Effective April 1, 2021	•Effective April 1, 2021

# Filing requirements under Prop. 19

- ▶ The appropriate claim form for base year value transfer must still be filed within 3 years of the date a replacement residence is purchased, or within 3 years of the completion of construction of a replacement residence. For disaster relief, claim form must be filed within 2 years.
  - ▶ If a claim for base year value transfer is filed after the dates above, you may receive prospective relief only
- ▶ Replacement property must be purchased or newly constructed within two years of the date of sale or loss of the original residence
- ▶ Base Year Value Transfer relief may only be granted as of the date of sale of the original residence OR the date of purchase or completion of construction of the replacement residence, whichever event occurs last
  - ▶ *Example: Original residence is sold May 1, 2021. Replacement residence is purchased July 3, 2021. The replacement residence is eligible for the base year transfer as of July 3, 2021.*
  - ▶ *Example: Replacement residence is purchased June 3, 2021. Original residence is not sold until November 5, 2021. The replacement residence is only eligible for the base year transfer once the original residence is sold on November 5.*



# Base Year Value Transfer Example 1

Replacement residence is of greater value than the original residence

- ▶ Original residence with a Factored Base Year Value (FBYV) of \$200,000 sells for \$550,000.
- ▶ The replacement property is purchased for \$900,000.
- ▶ The transferred base year value will be  $\$200,000 + \$350,000 = \$550,000$

Replacement Residence Cost:	\$900,000
Original Residence Sale Price:	- <u>\$550,000</u>
Value Difference:	\$350,000
Transferred Base Year Value:	+ <u>\$200,000</u>
New Base Year Value:	\$550,000
Approximate Tax Savings:	\$3,500 per year

# Base Year Value Transfer Example 2

Replacement residence is of equal or lesser value than original residence

- ▶ Original residence with a FBYV of \$150,000 sells for \$400,000.
- ▶ The replacement residence is purchased for \$200,000.
- ▶ The transferred base year value will be \$150,000 with no adjustment because the replacement residence has a lower market value than the original residence.

Replacement Residence Cost:	\$200,000
Original Residence Sale Price:	- <u>\$400,000</u>
Value Difference:	\$ 0
Transferred Base Year Value:	<u>\$150,000</u>
Base Year Value Enrolled:	\$150,000
Approximate Tax Savings:	\$500 per year

# Base Year Value Transfer Example 3

Replacement residence is of greater value than the original residence

- ▶ Original residence destroyed by fire has a Factored Base Year Value (FBYV) of \$200,000 with a full market value of \$500,000 immediately prior to the fire.
- ▶ The replacement property is purchased for \$800,000.
- ▶ The transferred base year value will be  $\$200,000 + \$300,000 = \$500,000$

Replacement Residence Cost:	\$800,000
Original Residence Sale Price:	- <u>\$500,000</u>
Value Difference:	\$300,000
Transferred Base Year Value:	+ <u>\$200,000</u>
New Base Year Value:	\$500,000
Approximate Tax Savings:	\$3,000 per year



# Base Year Value Transfer Example 4

Replacement residence is of equal or lesser value than original residence



- ▶ Original residence with a FBYV of \$150,000 has a fair market value of \$400,000 immediately before it is destroyed in a wildfire.
- ▶ Land is purchased and a replacement residence is built for a combined cost (land + construction cost) of \$250,000.
- ▶ The transferred base year value will be \$150,000 with no adjustment because the replacement residence has a lower market value than the original residence.

Replacement Residence Cost:	\$250,000
Original Residence Sale Price:	- <u>\$400,000</u>
Value Difference:	\$ 0
Transferred Base Year Value:	<u>\$150,000</u>
Base Year Value Enrolled:	\$150,000
Approximate Tax Savings:	\$1,000 per year



# For More information

- ▶ For more information regarding Prop. 19 and it's impact on Base Year Value transfers, please visit the following resources:
  - ▶ California State Board of Equalization's Frequently Asked Questions
    - ▶ <https://www.boe.ca.gov/prop19>
  - ▶ California State Board of Equalization Letter to Assessors No. 2020/061
    - ▶ <https://www.boe.ca.gov/proptaxes/pdf/lta20061.pdf>
- ▶ For the full text of Proposition 19:
  - ▶ [https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=201920200ACA11](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201920200ACA11)



*Disclaimer: The information provided herein is intended to provide general and summary information about Proposition 19. It is not intended to be a legal interpretation or official guidance. Proposition 19 is a constitutional amendment, and additional legislation and regulations, along with guidance from the State Board of Equalization are expected to clarify its implementation. We encourage you to visit the website of the [State Board of Equalization](#) for more information, and recommend you consult an attorney for advice on your specific situation. If you have any questions about the information presented here, you may also contact our office at (559) 852-2486 during normal business hours.*