

CALIFORNIA PROPOSITIONS 13 & 19



Learn about California Proposition 13, and How Proposition 19 Altered the Prop 13 Rules on Inheritance

Proposition 13, passed by California voters in 1978, was a groundbreaking law that helped keep property taxes under control for homeowners. It was an amendment to the California Constitution which rolled back residential property taxes on a principal residence to 1975 levels.

Key Details:

- Prop 13 established that the county assessor must determine what is referred to as the **base year value**. Base year value is the market value at the time of purchase or new construction.
- Prop 13 also mandates that the county assessor adjust base year value each year to reflect inflation at a rate set by the board of equalization, not to exceed 2% per year, unless market value of a property falls lower. When that happens, Prop 8, which also passed in 1978, allows the property to be temporarily reassessed at the lower value.



- **NOTE:** The Prop 13 factored value is different than the market value. Market value is the price a home would sell for on the open market under normal conditions, and it may fluctuate up and down while you own the property.
- Prop 13 limits the county-wide general property tax rate to not exceed 1% of the assessed value.
- Real property can only be reappraised for tax purposes when:
 - A change in ownership occurs
 - New construction is completed
 - New construction is unfinished on the lien date
 - Market value declines below Prop 13 factored value on the lien date

Proposition 19, effective Feb. 16, 2021, altered Proposition 13 Rules on Inheritance

Under Prop 19, the only Prop 13 tax base that can be transferred to your children is that of your principal residence to your child—and then your child themselves must live on the property as their principal residence. If the home is worth more than \$1M, your home may be partially or entirely reassessed, with a partial or complete loss of your Proposition 13 tax benefit.

Proposition 19 also permits homeowners who are over 55, severely disabled, or whose homes were destroyed by wildfire or disaster, to transfer their primary residence's assessed value to a replacement residence of any value, anywhere in the state, up to three times.



Proposition 19 may affect your next escrow and title transaction if eligibility requirements are met. Additional documents may be required by escrow if you plan to transfer the current taxable value of the property.

For more information, contact your Lawyers Title Sales Executive.

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