



# Office of Mark Church Assessor-County Clerk-Recorder

## Agricultural Advisory Committee Presentation

### California Proposition 19





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# California Proposition 19

The Home Protection for Seniors, Severely Disabled, Families and Victims of Wildfire or Natural Disasters Act

## What it does



Modifies exclusions allowed for intergenerational transfers



Provides more flexibility for Seniors & Disabled owner to transfer their assessed value to replacement homes

## Workload Impacts



Requires an appraisal of every intergenerational transfer



Tracking the change in use of property provided an exclusion due to an intergenerational transfer



Tracking of base year transfers in & out of the county by Seniors & Disabled owners





# California Proposition 19

The Home Protection for Seniors, Severely Disabled, Families and Victims of Wildfire or Natural Disasters Act

Parent-Child & Grandparent-Grandchild Exclusion	Effective Date	2/16/2021
Base Year Value Transfer – Persons At Least Age 55/Disabled	Effective Date	4/1/2021





# CA Proposition 19

- Passed in November 2020
- Two parts
  - Intergenerational transfer
    - Family home or family farm
    - Both transferor and transferee need to live in the home
  - Factored base year value (FBYV) transfer of persons 55 years of age or more, severely disabled, or a victim of a wildfire or natural disaster
    - Pay the difference in FBYV
    - Transfer limit 3
    - Applies anywhere in state





# Background: Proposition 13

- Passed in 1978
- Establishes a property's base year value: the full market value when the property or portion thereof was purchased, newly constructed, or underwent a re-appraisable change in ownership
- Limits tax rates to one percent of assessed value, plus voter-approved surcharges
- Limits inflation-based value increases to no more than two percent annually





# CA Proposition 19 Replaces

- Proposition 58 – for intergenerational transfers
  - Inherit the last generation's FBV up to \$1M in assessed value
- Proposition 60/90 – for FBV transfers
  - Home needs to be of equal or lesser value
  - One time only
  - Within the same county or select counties





# CA Proposition 19 Implementation

Senate Bill No. 539

- Signed into law September 30, 2021
- Added to R&T Code
  - §63.2 (Intergenerational Transfer Exclusion) - effective February 16, 2021
  - §69.6 (FBYV Transfer) - effective April 1, 2021

## Property Tax Rules

- Rule 462.520, Exclusion from Change in Ownership – Intergenerational Transfers
- Rule 462.540, Change in Ownership – Base Year Value Transfers







# Application on Family Farms

- Family farm of transferor must continue to be family farm of transferee
- A family farm need not include a principal residence to qualify
- An exclusion claim may be filed separately for principal residence on a family farm
- Exclusion is removed as of date property is no longer the family farm
- "Family farm" means any real property which is under cultivation or which is being used for pasture or grazing, or that is used to produce any agricultural commodity
- "Agricultural commodity" means any and all plant and animal products produced in this state for commercial purposes





# Valuation

- Base year value as of date of transfer
  - Fair market value of % interest transferred
  - And FBV of % not transferred
- New taxable value as of date of transfer
  - Excess amount:  $[FMV - FBV + \text{excluded amount}]$  multiplied by % transferred
    - Excluded amount: \$1,000,000 as of 2/16/21; \$1,022,600 as of 2/16/2023
  - Add 100% of the FBV





# Example 100% Transfer

## NT-CHILD & GRANDPARENT-GRANDCHILD EXCLUSION

APN xxx-xxx-xxx  
 Situs ANY TOWN  
 DOV 11/15/2021  
 Partial Interest Transfer % 100%

**FMV** \$2,200,000  
 Land \$2,200,000  
 Imps \$0

**2021 FBV**  
 land \$312,750  
 imps \$0  
 Add: Prop 19 Allowance \$312,750  
 \$1,000,000  
 \$1,312,750  
**Excess amount (100%)** \$887,250  
**x % Transfer** 100%  
**Applicable Excess amount** \$887,250

	Enroll CIO-P19E+ FBV	= Taxable value
Excess Land amount	\$887,250	\$1,200,000
Excess Imps amount	\$0	\$0
Excess Sum check	\$887,250	\$1,200,000

Conclusion:  
**FMV > FBV + Prop 19 allowance: FBV + excess amount**





# Example 50% Transfer

## PARENT-CHILD & GRANDPARENT-GRANDCHILD EXCLUSION

APN xxx-xxx-xxx  
 Situs ANY TOWN  
 DOV 11/15/2021  
 Partial Interest Transfer % 50%

**FMV** \$2,200,000  
 Land \$2,200,000  
 Imps \$0

**2021 FBV**  
 land \$312,750  
 imps \$0 \$312,750  
 Add: Prop 19 Allowance \$1,000,000 \$1,312,750  
**Excess amount (100%)** \$887,250  
**x % Transfer** 50%  
**Applicable Excess amount** \$443,625

	Enroll CIO-P19E	+ FBV	= Supp Master (check)
Excess Land amount	\$443,625	\$312,750	\$756,375
Excess Imps amount	\$0	\$0	\$0
Excess Sum check	\$443,625	\$312,750	\$756,375

Conclusion:

**FMV > FBV + Prop 19 allowance: FBV + excess amount**





# More information:

- <https://www.boe.ca.gov/prop19/>
- <https://smcacre.org/assessor/proposition-19>
- Brochure:
  - <https://smcacre.org/media/2524/download?attachment>





# Questions?



