

## CALIFORNIA PROPOSITION 19 REFERENCE

# The Prop 19 Planning Guide: How Each Rule Works

A direct walkthrough of rules, formulas, timelines, and pitfalls before buying, selling, or transferring title.

## DOOR 1 • SENIOR / DISABILITY / DISASTER TRANSFER

## Transferring Your Tax Base (55+)

Move your low Prop 13 tax assessment anywhere in California up to **3 times** (unlimited for wildfire/disaster victims).

- **Eligibility:** At least one spouse/owner must be 55+ or severely disabled at the time of sale.
- **Strict 2-Year Window:** The replacement home must be bought or newly built within 24 months (before or after) the sale date.
- **Primary to Primary:** Both the original and replacement home must be your principal residence. Second homes and rentals do not qualify.

## EQUAL OR LESSER VALUE EXAMPLE

Sell current home for **\$2,500,000** (tax base \$450,000) • Buy replacement for **\$2,200,000**.  
Your new assessed tax base stays **\$450,000**, saving ~\$18,000/yr in property taxes.

## DOOR 2 • UPSIZING &amp; PRICE DIFFERENCE

## Buying a More Expensive Replacement

You are no longer capped at equal or lesser value. You can upsize, paying current tax rates *only on the difference*.

- **The Blended Tax Base Formula:**  
 $\text{Assessed Base} = (\text{Original Assessed Value}) + (\text{New Purchase Price} - \text{Original Sale Price})$
- **County Assessor Filing:** Submit California Form BOE-19-B within 3 years of purchasing the replacement property.

## UPSIZING CALCULATION EXAMPLE

Sell home for **\$2,500,000** (tax base \$450,000) • Buy for **\$3,000,000**.  
Price difference:  $\$3.0\text{M} - \$2.5\text{M} = \$500,000$ .  
New Tax Base:  $\$450,000 + \$500,000 = \$950,000$  (instead of full \$3M).

## DOOR 3 • FAMILY TRANSFERS &amp; INHERITANCE

## Inheriting Family Property

Prop 19 substantially ended the automatic tax base transfer for inherited real estate unless strict conditions are met.

- **Must Become Child's Primary Residence:** An inheriting child (or grandchild if parents are deceased) must move into the home within **1 year** and file for the Homeowners' Exemption.
- **The \$1M Cap + Inflation Adjustment:** The full tax base transfers only if  $\text{Market Value} \leq \text{Assessed Value} + \text{Statutory Cap}$  (\$1,048,600 as indexed).
- **Rentals & Second Homes:** 100% reassessed to fair market value on date of death. No exceptions for income properties.

## INHERITANCE FORMULA (PRIMARY RESIDENCE)

Parent's base: \$400k. Allowance:  $\$400\text{k} + \$1.048\text{M} = \$1.448\text{M}$ .  
If fair value is \$2M, child moves in: excess is  $\$2\text{M} - \$1.448\text{M} = \$552,000$ .  
Child's New Base:  $\$400\text{k} + \$552,000 = \$952,000$ .

## DOOR 4 • TITLE CHANGES &amp; LLC TRANSFERS

## Adding Names to Title or Entities

Simple title updates can unintentionally trigger an immediate reassessment. Estate structure matters.

- **Adding Children to Deed:** Adding an adult child to title or transferring deeds to an LLC often counts as a "change in ownership" under county guidelines, resetting property taxes to today's market value.
- **Revocable Living Trusts:** Holding title in a standard revocable living trust for your own benefit generally does *not* trigger reassessment during your lifetime.
- **Stepped-Up Basis vs. Tax Base:** Estate tax planning must balance property tax caps against capital gains stepped-up basis at inheritance.

## Questions to Ask & Steps to Take Before You Execute

## 1. Pull Your Current Assessed Value

Review your annual property tax bill for the "Net Taxable Value." Do not confuse market value with assessed value.

## 2. Track the 24-Month Clock

Mark the exact closing date of your sale. Escrow on your replacement must close within 2 years.

## 3. Evaluate Family Occupancy Plans

If passing property to children, can they realistically make it their legal primary residence within 12 months?

## 4. Consult Your CPA &amp; Estate Attorney

Coordinate capital gains exclusions (Section 121) alongside Prop 19 filings to prevent unintended income tax shocks.

## 5. File County BOE Claim Forms Promptly

File Form BOE-19-B (seniors) or BOE-19-P (inheritance) with the County Assessor as soon as replacement escrow closes.

## 6. Run an Exact Scenario Comparison

Request a personalized net equity and tax comparison before listing your home or transferring deeds.

## Need to calculate your specific Prop 19 tax savings or inheritance scenario?

Contact Cody Kellar for confidential comparative analyses, timing coordination, and trusted estate team referrals.

CALL / TEXT (510) 301-1161