

Intergenerational Wealth: Prop 19 & Estate Planning 101



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Disclaimer

The information provided is intended to provide general information about Proposition 19. It is not intended to be a legal interpretation or official guidance, or relied upon for any purpose, but is instead a presentation of summary information. Proposition 19 is a constitutional amendment, so additional legislation, regulations, and statewide guidance are expected to clarify its implementation. If there is a conflict between the information provided here and the proposition or any legal authorities implementing or interpreting the proposition, the text of the proposition and the other implementing or interpretive authorities will prevail. We encourage you to consult an attorney for advice on your specific situation.



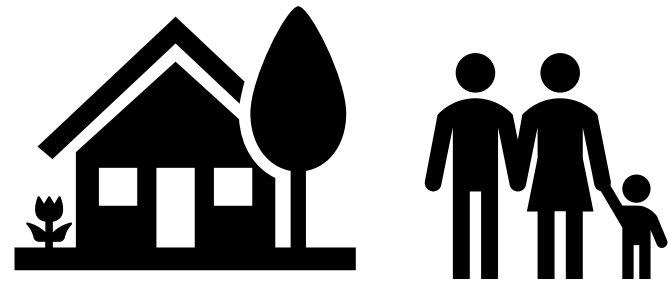
Proposition 19 – Reassessment Exclusions

On November 3, 2020, CA voters approved Proposition 19, *The Home Protection for Seniors, Severely Disabled, Families, and Victims of Wildfire or Natural Disasters Act*, amending California's Constitution, Article XIII A, Section 2.1

1. *Base Year Value Transfer*
2. ***Intergenerational Transfer Exclusion***



Prop 19: Intergenerational Transfers



- Only the "Family Home" is excluded from reassessment to market value when it is transferred between
 - Parent \Leftrightarrow child
 - Grandparent \Leftrightarrow grandchild
- The child (or parent) must live in the property and establish it as primary residence within 1 year. Other property (2nd homes) don't qualify.
- Amount of the exclusion is capped at \$1M + factored base year value.



Example: New Taxable Value

Parents transfer their home to the Child. The property's Factored Base Year Value is \$400,000. Market value is \$1,600,000.

Factored base year value (FBYV)	\$400,000
<u>Exclusion amount</u>	<u>+\$1,000,000</u>
Excluded Amount Under Prop 19	\$1,400,000
Fair market value of property	\$1,600,000
<u>Excluded Amount Under Prop 19</u>	<u>-\$1,400,000</u>
Difference	\$200,000

In this example, the difference of \$200,000 is added to the property's FBYV. Thus, the adjusted base year value is \$600,000 (FBYV \$400,000 + difference of \$200,000) as of the date of the transfer.



Family Home – Principal Place of Residence

Determine your principal residence:

- Where you are registered to vote
- The address on your car registration
- Where you normally return after work
- Where you spend the majority of your time

File Homeowners' or Disabled Veterans' Exemption

- Form BOE-266 *Claim for Homeowners' Property Tax Exemption*
is available at www.sfassessor.org



Family Home – Multi-Unit Dwellings

- Only the unit occupied as the Family Home of a multi-unit dwelling qualifies for the exclusion.
 - Example: In a four-unit building, the exclusion applies to the one unit that is claimed as the principal residence of the transferor and transferee. The other units will be reassessed at market value.
- Exception for Accessory Dwelling Units (ADUs)
 - ADUs along with the primary residence qualify as a Family home/principal residence.



Filing Requirements

1. **Exemption Claim** (either the Homeowners' or the Disabled veterans' exemption form)
 - Must file within 1 year of transfer
 - Transferee must own or occupy to be eligible
2. **Exclusion Claim** (Form BOE-19-P or BOE 19-G)
 - Must file within 3 years of transfer or before transfer to third party, whichever is first
 - No later than 6 months after notice of supplemental or escape assessment for parent-child transfer

If all deadlines have passed, prospective relief for the lien date of the year claim is filed.



FAQ: Trust Distribution – Family Home

Q: My mother's trust leaves her home to me and my two siblings equally. Will this property be subject to reassessment as of our mother's passing?

Answer: For the property to be excluded from reassessment under Prop 19, at least one of the children or qualified heirs must occupy the family home within 1 year. Both the homeowners' exemption and Prop 19 exclusion claim must be timely filed to qualify for exclusion from reassessment as of the date of death.



FAQ: LLC – Family Home

Q: I've heard that the parents can set up an LLC with their children and put the house into the LLC. Since ownership doesn't change on the death of the parents, the property isn't reassessed. Is this correct?

Answer: LLCs are not always an automatic avoidance of a reassessment—California property tax laws governing legal entity ownership transfers are complex and should be discussed with a qualified estate planning attorney and financial advisor.

As one example of where a reassessment would occur despite a property being in an LLC is a situation where there is a change in control in which one member gains greater than 50% interest, triggering a 100% reassessment of the property.



Intergenerational Transfer Exclusion Prop 19 Filing Requirements Checklist

Type of Relief	Forms to File	Name of Form	Filing Deadlines
Family Home	BOE-261-G or BOE-266	Claim for Disabled Veterans' Property Tax Exemption or Claim for Homeowners' Property Tax Exemption	Within 1 year from date of death or transfer. Exclusion will be applied prospectively if filed after 1-year period.
	BOE-19-P	Claim for Reassessment Exclusion for Transfer Between Parent and Child Occurring on or After February 16, 2021	Within 3 years from date of death or transfer, or before transfer to 3rd party, whichever is earlier.

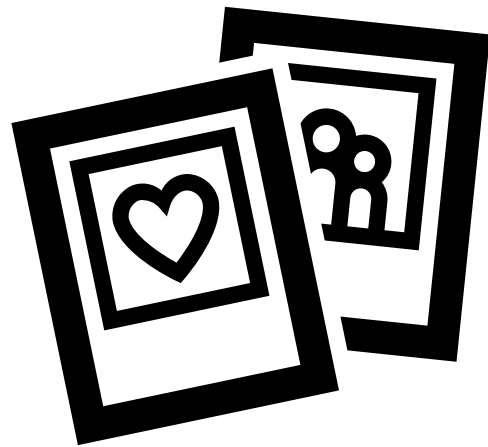


Intergenerational Transfer Exclusion \$1 Million "Value Limit" Adjustments

Date of Transfer or Change in Ownership	Applicable Amount
February 16, 2021 – February 15, 2023	\$1,000,000
February 16, 2023 – February 15, 2025	\$1,022,600



Prop 19 Resources



California Board of Equalization FAQs and Guidance

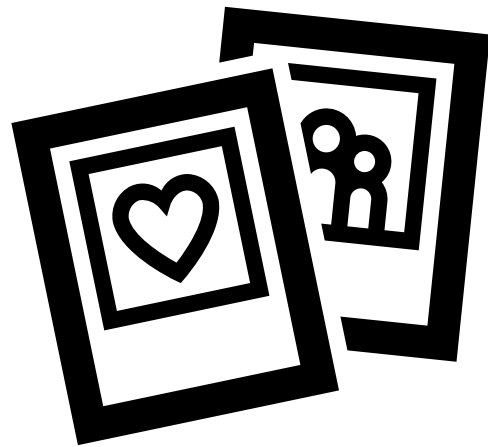
- www.boe.ca.gov/prop19/#FAQs
- www.boe.ca.gov/prop19/#Guidance

San Francisco Office of the Assessor-Recorder

- www.sfassessor.org



Low-Cost Legal Resources



- Housing & Economic Rights Advocates www.heraca.org
510 271-8443, ext. 300
- Legal Assistance to the Elderly www.laesf.org
(415) 538-3333
- SF BAR Association Justice & Diversity Center
www.sfbar.org/jdc
(415) 982-1600