

**SAY GOODBYE TO (MOST OF) THE REASSESSMENT EXCLUSION
FOR PARENT-TO-CHILD TRANSFERS OF CALIFORNIA REAL
PROPERTY**

Proposition 19 seeks to wipe out significant portions of the Parent to Child Transfer Exclusion. This is an important development in the evolution of California's property tax rules. Here are the big take-aways:

- Proposition 19 leads with the liberalization of the rules for transfers of property by California seniors. These liberalization rules are similar to the ones outlined in Proposition 5 which appeared on our recent ballots and was soundly defeated by the voters.
- Proposition 19 seeks to *completely eliminate* the parent-to-child reassessment exclusion for the transfer of properties other than the family home. Simply put, **all property** other than the family home will be reassessed to fair market value at the time the property is transferred to a child. This includes, but is not limited to:
 - o Vacation properties
 - o Second homes
 - o Properties where the family business is located.
 - o Rental properties
 - o Restaurants
 - o Hotels
 - o Vacant land
 - o Time shares where property tax is paid on the unit of interest
- The family home may still be transferred to a child without reassessment. However, important restrictions are included under Proposition 19. The restrictions include the following:
 - o The child *must designate the family home as the child's residence*. The home cannot be a second home or a rental property.
 - o If the family home has a fair market value in excess of \$1 million dollars at the time of transfer, there will be an *upward adjustment of the assessed value*.
 - o As of 2023, the taxable value of property transferred to a child will be adjusted each year not by Proposition 13's maximum increase of 2% per year, but to the change in the California House Price Index.

This is the second in our weekly examinations of Proposition 15 (The Split Roll Initiative) and Proposition 19 (Restriction of the Parent-To Child Exclusion). Next week, we will take a deep dive into how both propositions made it to the November ballot and the background behind the Propositions. Future Newsletters will examine strategies to employ if either or both of these Propositions are passed.

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Should you have any questions or would like to learn more, please feel free to consult with one of our attorneys at McDowall Cotter by giving us a call at 650-572-7933. The accomplished attorneys of McDowall Cotter work in civil litigation, business services, and estate planning and are located in San Mateo. Our experienced and knowledgeable staff will be able to help you with any of your needs or concerns. Additionally, you can find McDowall Cotter on Facebook, Instagram, Twitter and LinkedIn @McDowallCotter.