

PROPOSITION 19 CONFUSION OVER CALCULATING THE REASSESSMENT AMOUNT ON TRANSFER OF THE FAMILY HOME

There is confusion over how to calculate the reassessment of the family home under Proposition 19.

We had previously reported on our website and presentations that the reassessment was the difference between the fair market value of the residence less \$1 million + the assessed value just before the transfer. This was based on earlier reporting, including the reporting of the supporters of Proposition 19.

The Los Angeles Times reports that it has reviewed the situation with the Legislative Analysts Office and has come up with a different answer.

The first thing you need is a family home worth more than \$1 million. If a child moves into the home as a primary residence within one year of transfer and files all the necessary paper work with the County Assessor, the primary residence or farm will be reassessed according to a convoluted formula, at least as reported and according to the Legislative Analyst's Office.

The formula: The assessed value just before the transfer, plus the market value at the time transfer, minus the sum of the assessed value plus \$1 million.

Here is the example. Son inherits his father's primary home that was assessed at \$500,000 but is now worth \$4 million, and the son moves into it within a year. The new assessed value would be **\$3 million**, which is \$500,000 (assessed value before transfer) plus \$4 million (market value) **minus** the sum of \$500,000 (assessed value before transfer) plus \$1 million.

The Yes on 19 campaign has purportedly stated the new assessed value would be \$2.5 million (\$4 million in market value minus the sum of \$1 million plus the dad's assessed value of \$500,000). However, it appears this calculation takes into account only the first part of the calculation outlined in Proposition 19.

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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.