



Fidelity National Title

CA PROP 5

The 2018 Property Tax Transfer Initiative

On November 6th, 2018, California voters will find “The Property Tax Transfer Initiative” Prop 5 on the ballot as a combined initiated constitutional amendment and state statute. Below are some of the highlights of the upcoming Proposition to consider.

WHAT CHANGES WOULD THIS BALLOT INITIATIVE MAKE TO CURRENT CALIFORNIA STATE LAW? Proposition 5 would amend Proposition 13 to allow home buyers who are age 55 or older or severely disabled to transfer the tax-assessed value from their prior home to their new home regardless of:

- 1) the new home’s market value;
- 2) the new home’s location in the state; or
- 3) the number of moves.

As of 2018, home buyers over 55 years of age were eligible to transfer their tax assessments from their prior home to their new home if the new home’s market value is equal to or less than the prior home’s value and only once in their lifetimes. Furthermore, counties, not the state, decide whether tax assessments can be transferred across county lines.

If the new home is a different value than the prior home, the initiative would allow for an adjusted value between the old and new values. If the new home has a higher market value than the prior home, the assessed value would be adjusted upward. If the new home has a lower market value than the prior home, the assessed value would be adjusted downward. The formulas for the adjustments would as follows:

UPWARD ADJUSTMENT: Assessed value of their prior home + (the new home’s market value – the prior home’s market value)

EXAMPLE: An individual sold her house for \$500,000. The house had a tax-assessed value of \$75,000. She bought a new house for \$800,000. The tax-assessed value of the new house would be $\$75,000 + (\$800,000 - \$500,000) = \$375,000$.

DOWNWARD ADJUSTMENT: Assessed value of their prior home \times (the new home’s market value / the prior home’s market value)

EXAMPLE: An individual sold his house for \$500,000. The house had a tax-assessed value of \$75,000. He bought a new house for \$300,000. The tax-assessed value of the new house would be $\$75,000 \times (\$300,000 / \$500,000) = \$45,000$.

WHAT DOES PROPOSITION 13 HAVE TO DO WITH THIS BALLOT INITIATIVE? California Proposition 13, the Tax Limitations Initiative, was approved by the voters on June 6, 1978. Proposition 13 required that properties be taxed at no more than 1 percent of their full cash value shown on the 1975-1976 assessment rolls and limited annual increases of assessed (taxable) value to the inflation rate or 2 percent, whichever was less. When a property is sold or transferred to new owners, however, the property is reassessed at 1 percent of its full cash value and the limit on increases to assessed value resets.

In 1986, voters approved Proposition 60, which amended Proposition 13 to allow homeowners over the age of 55 to transfer the taxable value of their present home to a replacement home, assuming the replacement home was of equal or lesser value, located within the same county, and purchased within two years of selling the original home. Proposition 13 was again amended in 1988 when voters approved Proposition 90, which allowed qualified homeowners age 55 or older to transfer the current taxable value of their original home to a replacement home in another county, but only if the county in which the replacement home is located agrees to participate in the program

Stay tuned for further information as CA PROP 5 will appear on the November 2018 ballot for California voters to decide.

For more information please go to [https://www.ballotpedia.org/california_proposition_5_property_tax_transfer_initiative_\(2018\)](https://www.ballotpedia.org/california_proposition_5_property_tax_transfer_initiative_(2018)).

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