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April 12, 2021

LAW ALERT **DON'T LOSE YOUR PROP. 13 BASIS WHEN YOU MOVE!**

On November 3, 2020, California voters passed the *Home Protection for Seniors, Severely Disabled, Families, and Victims of Wildfire or Natural Disasters Act* (Prop. 19). Among other changes, Prop. 19 expanded existing property basis transfer rules to help Californian's 55+ (or those who are severely disabled, or victims of a wildfire or natural disaster) keep the low Proposition 13 Taxes from their primary residence if they choose to relocate.

Effective April 1, 2021, qualifying homeowners may transfer their current Proposition 13 "factored base year value" (basis) to *any* replacement primary residence *anywhere* in California.

- If the replacement home has a full cash value (think fair market value) ("FCV") lower than the home sold, then the property taxes basis remains the same.
- If the replacement home is more expensive, then the property tax basis remains the same on the portion of the property equal to the sold home and you establish a new Proposition 13 basis for the portion of the replacement home that is more than the FCV of the sold home.

Example:

- The factored base year value of Claimant's original primary residence is \$300,000. Claimant pays roughly \$3,750 in property taxes each year.
- Claimant sells their original primary residence for \$550,000 and purchases a replacement primary residence for \$600,000. Without basis transfer, property taxes would be approximately \$7,500 per year for the replacement home.
- Claimant applies to have their basis from their old primary residence transferred to their replacement primary residence. Since the FCV of Claimant's replacement primary residence (\$600,000) is greater than the FCV of the original primary residence (\$550,000), the new base year value of the replacement primary residence is \$350,000 (\$300,000 from original primary residence plus \$50,000 - difference between the FCV of replacement primary residence (\$600,000) and the FCV of the original primary residence (\$550,000)). The property taxes for the replacement residence will be approximately \$4,375 per year.
- By transferring their basis, the claimant has saved \$3,125 in property taxes per year.

Prop. 19 increased the number of times a person may apply for and be granted a basis transfer from 1 to 3 times.

The replacement property must be purchased or newly constructed within 2 years of the sale of the Claimant's primary residence. The Board of Equalization has now provided the guidance that either the sale of the original primary residence or the purchase or new construction of the replacement primary residence, but not both, may occur before April 1, 2021 effective date.

The transfer and property tax savings are achieved by filing a simple claim form with the Assessor in the County where the replacement property is located.

The expanded basis transfer rules could help Californians save a significant amount of property taxes each year! If you would like more information, please let us know.