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PROPERTY OWNER'S GUIDE TO BASE YEAR VALUE TRANSFERS UNDER PROPOSITION 19 (Effective April 1, 2021)

NOTE: Future legislation may impact the operation of Prop 19 and any updates will be posted on the California State Board of Equalization's website at <https://www.boe.ca.gov/>

What is Prop. 19?

Effective April 1, 2021, homeowners who are 55 years or older, severely disabled, or the victim of a disaster can transfer the tax base of their home to a replacement home located anywhere in California that is purchased or built within 2 years of the sale of their original home.

How does Prop 19 benefit the homeowner?

The base year value transfer provisions of Prop 19 is a property tax savings programs for owners' age 55 or older, severely disabled, or victims of wildfires or other natural disasters as declared by the Governor who sell a home and buy another. Under Proposition 13, a home is appraised at its full market value at the time it is purchased. Prop 19 allows the taxable value on the original home to be transferred to the replacement home (see Example 1 below). Prop 19 also allows for the replacement property to be higher in value. If the replacement property value is more than the value of the original property, the difference between those values is added to the base year value of the original property for transfer purposes (see Example 2 below).

Example 1: An applicant sells their former residence for \$489,000 and purchases their new property for \$340,000. The assessed value on their former residence at the time of sale was \$261,669. Under the guidelines of Prop. 19, we would transfer their assessed value plus 2% (\$266,901) to the new residence. Hence, their new taxable value on the new residence would be \$266,901, instead of \$340,000.

Example 2: An applicant sells their property for \$2,000,000 and purchases their new property for \$3,000,000. The base year value of the original property is \$500,000. The transferred base year value will be \$500,000 plus \$1,000,000, or \$1,500,000, instead of \$3,000,000.

Under Prop. 19, will I qualify for the base year value transfer if I purchase my replacement home now and sell my original home on or after April 1, 2021?

Prop 19 requires the transfer of the base year value to occur on or after April 1, 2021. It does not require that both the primary residence be sold and the replacement primary residence be purchased on or after April 1, 2021. Therefore, in most cases, as long as either the primary residence is sold or the replacement primary residence is purchased on or after April 1, 2021, the base year value of the primary residence can be transferred to the replacement primary residence under Prop 19.

Must the property be owner-occupied?

Yes. Both the original and replacement property must be eligible for a homeowner's exemption. This means that the property must be the owner's principal place of residence.

Do I need to be receiving the homeowners' exemption on my original property when it is sold?

No. The original property must be eligible for the homeowners' exemption because you own it and because it was your principal place of residence at the time of its sale.

If you did not have the homeowners' exemption on your property, you may need to provide documents to the assessor that prove it was your principal place of residence. Proof of residency may include voter or vehicle registration, bank accounts, or income tax records.

If I receive the benefit of Prop. 19, may I still qualify and claim a Homeowner's or Disabled Veteran's Exemption?

Yes. If you qualify for either of these exemptions, you will need to file separately.

May I take advantage of this tax saving program more than once?

Yes, Prop. 19 allows homeowners who are 55 years or older, or disabled to transfer their tax base up to three times. Victims of wildfires or other natural disasters may transfer their tax base once per event.

Is there a time limit for this program?

Yes. You must purchase or complete construction on the replacement dwelling within two years of the sale of the original property. Claims must be filed within three years of the purchase or completion of construction of the replacement dwelling to receive retroactive relief. Eligible claims filed more than three years after the purchase or completion of construction will receive prospective relief.

What happens if I buy a replacement home that costs more than my original home and want to transfer my tax base?

If you are over 55 years, severely disabled, or the victim of a disaster, Prop. 19 allows homeowners who purchase a replacement home of greater value than their original home to transfer their tax base with an adjustment to account for the value difference. The portion that is over the value of the original home will be reassessed at current market value.

If I decide to build my replacement property, can I still qualify for Prop. 19?

Yes. New construction does qualify for this program, although there are specific requirements that must be followed. If you are interested in pursuing this option, you may contact the Assessor's Office at (951) 955-6200 to go over the requirements.

How will the Assessor's Office determine the market value of my replacement home if I build it myself?

The Assessor's Office will determine the value of the newly constructed residence by looking at comparable sales of similar property. The value can often be substantially higher than the actual cost of construction especially if the work is completed by the homeowners and not by an outside general contractor.

If I give my original property to my child, can I still qualify for a Prop. 19 when I purchase a replacement property?

No. The law provides that an original property must be sold for consideration and subject to reappraisal at full market value at the time of sale. Original property transferred to a child or disposed of by gift or inheritance does not qualify.

Can two otherwise qualified property owners who have recently sold their separately owned original properties combine their claim when they buy a single replacement home together?

No. They can only receive the benefit if one or the other, not both together, qualifies by comparing his or her original property to the jointly purchased replacement home. The implementing legislation specifically disallows combining a claim in this manner, regardless of whether the co-owners of the replacement home are married or not.

What if my original property contains more than just my principal residence and the land necessary for that residence?

You will receive Prop. 19 benefits for a residence that includes *all* land within the parcel provided that any nonresidential uses of the property are merely incidental to the residential use of the property.

Example: You sell your original residence on a 5-acre parcel and purchase a .25 - acre residence. As long as the 5-acre parcel was used only for purposes incidental to the use as a residential site, the base year value of the original property could be transferred assuming all the other qualifications are met.

Do I still have to pay the existing, current tax bill on the replacement property or will that bill be adjusted to reflect the new value?

Yes. You must pay the current year tax bill on your replacement property. That bill cannot be adjusted or cancelled to reflect the Prop. 19 benefit. Any correction resulting from the original value transfer will be made on the supplemental assessment. When the entire process is complete, you will have the same assessed value as your original property.

How can I apply for a Prop. 19 claim?

You may download the application from our website at www.asrclkrec.com or call our office at (951) 955-6200 to request the application. For a list of Frequently Asked Questions on Prop. 19, please visit the State Board of Equalization website at <https://www.boe.ca.gov/prop19/>.

Please note: If both the sale of the original property and the purchase of the replacement property occurred prior to April 1, 2021, and other qualifications are met, you may qualify for relief under proposition 60/90/110 provisions. Please contact our office for more information.