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## PROPERTY TAXES REASSESSMENTS FOR CALIFORNIA REAL ESTATE

By Victor Sy, CPA, MBA

Strange as it may seem, I'd rather deal with the IRS than assessors of California counties. Counties reassess properties on transfer, even when such transfer is exempt from reassessment. It's up to you to appeal the erroneous reassessment. It takes a good deal of patience to deal with the counties. If it takes countless telephone calls and fax messages to request a simple change of address on your tax bills, just think what it would take to have the county roll back hundreds of thousands of dollars in property values. Let's review a few propositions that can help rescue you from unnecessary increase in your property tax bills.

### Proposition 13:

- Real property is appraised only if there is a change in ownership or a construction.
- The general tax levy cannot exceed 1% of assessed value (selling price in most cases).
- Agencies may levy direct assessments for lighting maintenance and other local improvements.
- Assessments can be increased for inflation, but not more than 2% annually.
- The average tax rate after increases is about 1.25%.
- There should be no reassessments for transfers:
  - Between spouses, from divorce, or from death of a spouse.
  - Between parent and child (see proposition 58 below).
  - From grandparent to grandchild (see prop 193 below).

### Proposition 58:

- Transfers from parent to child or child to parent is excluded from reassessment.
- Children include a natural child, stepchild, adopted child, and son or daughter-in-law.

### Proposition 193:

- Transfer from grandparents to grandchildren is excluded from reassessment.
- Grandchildren include natural grandchildren, stepchildren, and grandchildren-in-law.
- Beware: Transfers from grandchildren to grandparents are not excluded (therefore reassessed).

### Requirements common to both Prop 58 and 193:

- Principal residence of transferor is excluded from reassessment.
- Other real property of \$1 million is also excluded
- A parent may transfer a combined value of \$1M to all children over time (cumulative).
- The other parent may transfer another \$1M for a combined exclusion of \$2M.
- The \$1 million exclusion applies to value immediately before the transfer.
- The exclusion applies to transfers by gift, sale, devise, or inheritance.
- Important: Homeowner's exemption must have been granted to the transferor.
- The transferee must file a claim within three years, but before transfer to a third party.
- Transfers from trusts to individuals and from individuals to trusts qualify for exclusion
- Transfers to and from legal entities (corporations) do not qualify.

### Propositions 60 & 90:

- Prevent reassessment when a senior citizen sells residence and purchases a replacement residence.
- Senior citizen is defined as seller or spouse who is at least 55 years old at time of sale.
- Assessor transfers factored value from original to replacement residence.

- Very few counties participate with Prop 90 to exclude transfers from one county to another. Go to state and county websites to learn more about your particular situation.