

Planning Ahead



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Property Taxes on the Ballot

Planning to preserve low property taxes can be an important aspect of Estate Planning. Proposition 19 on the ballot this November would significantly impact property tax planning.

Under California law, property taxes are reassessed whenever there is a change in ownership. This applies not only to the new owner when a property is sold but also to property received as a gift or inheritance. There are limited exceptions, including a transfer between spouses such as in the event of divorce or from a deceased spouse to a surviving spouse. An important exception in Estate Planning is the exclusion from property tax reassessment for transfers between a parent and child, known as the “Parent-Child Exclusion”.

With the Parent-Child Exclusion, a parent can transfer their home (by sale, gift, or inheritance) to a child without the property being reassessed. The child will continue to pay the same presumably low property taxes as the parent was paying. Preserving these low property taxes may make the difference between the child’s ability to afford keeping the family home or having to sell it. In addition to the home, the Parent-Child Exclusion applies to the transfer of other real property of up to \$1,000,000 of assessed value. Note this is assessed value, not market value. You can find a property’s assessed value by looking at the most recent property tax bill.

If Proposition 19 passes, the transfer of any real property other than the home would no longer be excluded. And the Parent-Child Exclusion for transfer of the home would be capped at \$1,000,000 market value and require that the child make the home their principal residence, i.e., the property could not be held as a rental or second home.

Whether or not Proposition 19 becomes law, the Parent-Child Exclusion gets complicated in case of inheritance when there are multiple children, one child wants to receive a particular property, and there are not enough other assets of the parent’s estate to make equal distributions to the other children. Anyone in this situation should get proper legal advice.

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