



proposition 19 set to end major property tax exemption

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Proposition 19 will essentially end your ability to transfer real estate to your children free of property tax reassessment.^[1] If you have a legacy property that you intend to pass to the next generation (regardless of whether it is your home, or it is a rental, commercial or industrial property), you must act quickly.

Generally, when real estate changes ownership, the property will be reassessed to market value for property tax purposes. Under current law, there are certain exemptions to reassessment. One exemption permits a transferor to pass (1) a principal residence (regardless of value), and (2) an additional \$1,000,000 in assessed value of other real estate (note that a property's assessed value – the value shown on the property tax bill – is often much less than fair market value), to his or her children free of property tax reassessment. Certain grandchildren with deceased parents may also be eligible for this exemption. These transfers can occur as lifetime gifts or upon the transferor's death.

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