

Information from the Howard Jarvis Taxpayers Association

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RESTORE PROP. 13 FOR OUR CHILDREN

REINSTATE 58

The background: Before Proposition 13 was passed by voters in 1978, property in California was assessed at its current market value, and the property tax bill was as much as 3% of the current market value every year. Prop. 13 cut the tax rate to 1% and limited the annual increase in assessed value to a maximum of 2%, regardless of the increase in the property's market value, until there was a change of ownership. In 1986, voters overwhelmingly passed Proposition 58, which changed the state constitution so that property transferred between parents and children – a home of any value and up to \$1 million in assessed value of other property, such as a small business or a vacation cabin – would not be reassessed to market value when transferred. In 1996, voters passed Proposition 193, which extended the same protection to transfers of property between grandparents and grandchildren if the children's parents were deceased.

The harm from Proposition 19: In November 2020, voters narrowly passed Proposition 19 to provide tax protection for seniors and fire victims who need to relocate. But most voters did not realize that Proposition 19 also included a huge tax increase on property transferred from one generation to the next. Prop. 19 removed Proposition 58 and Proposition 193 from the state constitution. Now all property is reassessed to market value when transferred from parents to children or grandparents to grandchildren. There is only limited protection for a primary residence that will continue to be used as a primary residence, and in some cases for a family farm. There is no protection for a small business such as a restaurant or rental property, which will be reassessed to full market value as of the date of transfer. The family's new property tax bill will be 1% of that new value every year, and this new assessment may rise by up to 2% per year.

What we are doing about it: The Howard Jarvis Taxpayers Association is working hard to protect Californians from these damaging tax increases. HJTA is supporting an Assembly Constitutional Amendment, **ACA 9**, introduced by Assemblyman Kevin Kiley (Granite Bay), which will fully reinstate Proposition 58 and Proposition 193. HJTA is also sponsoring **Senate Bill 668**, introduced by state Senator Patricia Bates (Laguna Niguel), which would continue the protection against tax increases for intergenerational transfers of property until February 16, 2023. Families did not have time to plan for a transfer of family property before the Prop. 19 changes took effect on February 16, 2021, while the state was still under pandemic restrictions that made it difficult for Californians to meet with family members, attorneys or tax planners.

How you can help: Contact your state representatives and urge them to support ACA 9 and SB 668 to restore the protection from reassessment when property is transferred from parents to children or grandparents to grandchildren.

For more information: Visit www.hjta.org/Reinstate58, email HJTA at info@hjta.org or call our offices at 916-444-9950 or 213-384-9656. This flyer is available for download on our website.