



## Repeal the Death Tax Act FAQs

### What is the “Death Tax?”

It's a new provision in the law that says property must be reassessed to market value when it is transferred between parents and children. The result is a massive increase in the annual property tax bill when long-held family properties are inherited. Previously, the tax bill on a home and a limited amount of other property stayed the same when transferred from parents to children, or grandparents to grandchildren. Now, in almost all cases those properties are reassessed to current market value as of the date of death.

### What did Prop 13 from 1978 do?

Proposition 13, passed by voters in 1978, limited increases in the assessed value of a property, while it remained under the same ownership, to a maximum of 2% per year. Because market value often increases far faster, Prop. 13 protected property owners from sudden, shocking increases in their annual property tax bill based on “paper profits.” Prop. 13 also cut the property tax rate to 1% of the assessed value, down from a statewide average that was nearly three times higher.

### What did Prop 58 from 1986 do?

Prop. 58, passed by more than 75% of voters in 1986, excluded some parent-child transfers of property from the definition of “change of ownership.” This allowed parents to transfer a home and up to \$1 million of assessed value of other property to their children without triggering reassessment and a tax increase.

### What did Prop 193 from 1996 do?

In 1996, 67% of California voters passed Prop. 193, which extended the Prop. 58 rules to transfers of property between grandparents and grandchildren if the children's parents were deceased.

### What is Prop 19 from 2020 and how did it create the Death Tax?

Prop. 19, passed narrowly by voters in November 2020, repealed Prop. 58 and Prop. 193 so that property is again reassessed to market value when transferred between parents and children or grandparents and grandchildren, with only limited exceptions. Many voters did not realize that this measure created a “death tax” on property. The advertising campaign to pass the measure emphasized only the provisions that benefit seniors, disabled individuals and wildfire victims. (The Repeal the Death Tax Act would not change those benefits.)

### How does this initiative repeal the Death Tax?

This initiative will restore Props. 58 and 193 to the state constitution, with an adjustment for inflation. Instead of exempting \$1 million in assessed value of other property from reassessment, the Repeal the Death Tax Act would exempt \$2.4 million in taxable value of other property (a home of any value is excluded from reassessment and doesn't count toward the \$2.4 million limit). To further protect California families, the \$2.4 million figure will be adjusted annually for inflation.

### How can I calculate my annual Death Tax if this Act does not pass?

To see how much the new tax bill on your property will be after it is transferred from parent to child, multiply the current market value of your property by 1%. This is the property tax bill that the children will have to pay EVERY YEAR, plus local taxes and fees, plus an inflation adjustment of up to 2% per year. Today's current market value is only a guide—the actual

taxable value will be the current market value as of the date of death. Visit [Reinstate58.HJTA.org/calculator](https://Reinstate58.HJTA.org/calculator) to enter the value of your property and to see how fast the property tax bills will add up for your family, year after year.

### **Does this initiative repeal Prop 19's property tax transfer?**

No. This initiative does not change Prop. 19's property tax transfer for wildfire victims, disabled people and seniors. They can still transfer the taxable value of their primary residence to a replacement residence of any value, anywhere in the state.

### **Why does the Death Tax need to be repealed?**

Unfortunately, due to the recent passage of Prop. 19, the sad event of the loss of a parent has become the trigger for a letter from the county assessor warning that the family home and other property are now subject to reassessment to market value, meaning a massive tax increase. At an emotional and difficult time, many families are finding that they are forced to sell properties their parents worked hard to acquire. If they cannot afford the new annual property tax bill, they have no choice but to sell. This robs families of the opportunity to build inter-generational wealth and financial security through property ownership. After they sell the property, inflation wears away the value of the cash from the sale proceeds.

### **How does the Death Tax impact minority communities?**

Prop. 19's Death Tax created additional barriers to homeownership and upward mobility for Black, Latino, Asian, and other minority communities by imposing an automatic tax increase that often makes it impossible to hold onto inherited property. Many voters did not know that Prop. 19 eliminated constitutional protections previously passed by voters to allow parents and grandparents to transfer their homes to their children and grandchildren upon death without triggering a reassessment and massive property tax bill. Homeownership is the primary means of building inter-generational wealth and financial security for immigrants and communities of color. That's why we need to repeal the Death Tax!

### **How does Prop 19's Death Tax affect renters?**

Small rental properties that were excluded from reassessment when inherited before Prop. 19 are now subject to reassessment to full market value as of the date of transfer from the owner to his or her children. This typically means a massive tax increase that could lead to rent increases or, where rent increases are prohibited, to much higher rents for future tenants and/or the sale of the buildings to new owners who may evict the tenants and develop the land for another purpose. Countless affordable housing units will be lost, year after year, as older buildings are inherited and sold.

### **How does the Repeal the Death Tax Act help small or locally owned business properties and family farms?**

This initiative allows intergenerational transfers of a primary residence *and* any property with an assessed value of up to \$2.4 million without reassessment — this includes family farms, shops and restaurants. For example, parents who own a \$500,000 home and a \$2.4 million business property or farm would be able to transfer both properties to their children without incurring a massive property tax increase that may force the kids to sell the business or farm. If a business or agricultural property is valued at more than \$2.4 million, the first \$2.4 million is excluded from reassessment and the balance is assessed at current market value.

### **When will the campaign begin signature gathering for the Repeal the Death Tax Act?**

Signature gathering is underway right now! Go online to [www.HJTA.org/RepealTheDeathTax](https://www.HJTA.org/RepealTheDeathTax) and click "Get the Petition," or call us at 916-444-9950.

## **Is this initiative retroactive?**

This initiative is retroactive to the date when the inter-generational transfer provisions of Prop. 19 went into effect, February 16, 2021. Property that was reassessed to market value after that date due to a parent-child or grandparent-grandchild transfer would have its original assessed value restored.

## **Can't we set up a trust to avoid reassessment of our property via Prop 19's Death Tax?**

Assessors look "through" the trust to see the true owners when implementing the law regarding change of ownership. While a trust may have other tax benefits, property taxes are not typically affected by placing a property in a trust. Please consult an attorney and/or an accountant regarding changes to the title and all potential tax consequences of a sale or inheritance.

## **Can't we incorporate our property to avoid reassessment via Prop 19's Death Tax?**

Generally speaking, where parents form a corporation to hold property, then transfer cumulatively more than 50% of the control or ownership of the corporation (*i.e.*, by dying), there is a change in ownership that triggers reassessment. (See CA Code of Regs, Title 18, § 462.180(c)(2).) Moreover, once a corporation is formed, it is then subject to California's \$800 minimum annual franchise tax on corporations. Please consult an attorney and an accountant before making any changes to the title of your property.

## **Can't our kids just move into our house to avoid reassessment via Prop 19's Death Tax?**

Under current law (Prop. 19), children/grandchildren who move into a home passed onto them within one year of the date of transfer can avoid reassessment if they make the home their principal residence and file the form for the "Homeowners Exemption" with the county assessor. However, the exclusion from reassessment is capped at the current assessed value plus \$1 million. Any value above that combined figure is assessed at current market value and added to the assessed value of the property. In many parts of the state where property has appreciated dramatically, even children who move into the family home and make it their principal residence could be hit with a significant property tax increase.

## **What can we do to help?**

Help us collect signatures from registered voters in California! Go online to [www.HJTA.org/RepealTheDeathTax](http://www.HJTA.org/RepealTheDeathTax) and click the button labeled, "Get the Petition!" That will take you to the petition request form. Simply fill it out and we'll send you petitions, flyers, instructions, and more. We need more than 1 million signatures to qualify this measure for the November 2022 ballot. You can also help by making a contribution to the campaign. Just click the "Donate" button on the website or click "Action" to print out the form to donate by mail. While you're there, check out the Death Tax Calculator. Once you see how much more your family would have to pay each year compared to your current property tax bill, you may decide to join many other Californians in making a contribution to Repeal the Death Tax. Thank you for your help! We greatly appreciate you.

Learn more at [HJTA.org/RepealTheDeathTax](http://HJTA.org/RepealTheDeathTax).