

# Proposition 19

## Property Tax Assessment

Research Assistant: Katherine Adelman '21

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### Purpose

Proposition 19 would change special property tax assessment rules for eligible homeowners and inherited property. It would expand an existing benefit for seniors, the severely disabled, and victims of wildfires and natural disasters, by letting them transfer the taxable value on their primary residence to a new property when they move anywhere in California. It would narrow the existing benefit for inherited properties. It also would create a fund dedicated to wildfire prevention and emergency response initiatives.

### Background

In 1978, California voters approved Proposition 13, which taxed property at no more than 1% of its value shown on the 1975-1976 assessment rolls and limited annual increases of assessed value to the inflation rate or 2 percent, whichever is less. Under Prop 13, the property's taxable value was re-assessed when property ownership transfers, either through a sale or through an inheritance, to the current market value.<sup>1</sup>

The voters have amended Prop 13 several times.<sup>2</sup> They adopted two measures in 1986. The first, Prop 58, allows property to pass from parents to children without updating the assessed value of the property. The children thus avoid an increase of the property tax bill. The second, Prop 60, allows homeowners over the age of 55 to transfer the taxable value of their present home to a replacement home in the same county in certain circumstances. Prop 90 in 1988 expanded the Prop 60 provisions to replacement homes in other counties, if those counties agreed to participate in the program. Finally, Prop 193 passed in 1996 to expand Prop 58 transfer provisions to property passed by a grandparent to a grandchild if the parent is deceased.

In 2018, the California Realtors Association advocated for a ballot measure, Proposition 5, that would have allowed homeowners who are 55 and older or severely disabled to transfer the tax

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<sup>1</sup> Ballotpedia, "California Proposition 13, Tax Limitation Initiative (1978)," [https://ballotpedia.org/California\\_Proposition\\_13,\\_Tax\\_Limitation\\_Initiative\\_\(1978\)](https://ballotpedia.org/California_Proposition_13,_Tax_Limitation_Initiative_(1978)).

<sup>2</sup> Ballotpedia, "California Proposition 19, Property Tax Transfers, Exemptions, and Revenue for Wildfire Agencies and Counties Amendment (2020)," [https://ballotpedia.org/California\\_Proposition\\_19,\\_Property\\_Tax\\_Transfers,\\_Exemptions,\\_and\\_Revenue\\_for\\_Wildfire\\_Agencies\\_and\\_Counties\\_Amendment\\_\(2020\)](https://ballotpedia.org/California_Proposition_19,_Property_Tax_Transfers,_Exemptions,_and_Revenue_for_Wildfire_Agencies_and_Counties_Amendment_(2020)).

assessments on their primary residences when they move homes.<sup>3</sup> They argued that many homeowners who would have otherwise relocated residences were disincentivized to do so by the current rules, which did not allow many of these homeowners to transfer their tax assessments when moving. The *Los Angeles Times* reported on an investigation of wealthy California families who were renting out second homes—many of which were inherited with low tax assessments as a result of the rules promulgated in Prop 58—at rates that far exceeded the rate of taxation on their property.<sup>4</sup> The public reception of this investigation led to a resurgence in support for reforming Prop 58 to tighten the rules for some inherited properties. The 2018 ballot measure failed by 20 points, partially due to a wave of opposition by organized labor and local government groups whose funding would be negatively affected by such rules due to losses in taxable value.<sup>5</sup>

### Proposal

Proposition 19 is a constitutional amendment that would allow eligible property owners (who are over 55, severely disabled, or victims of a wildfire or natural disaster) to keep their lower property tax assessment when moving to another primary residence anywhere in the state. Eligible property owners who move into replacement residences whose market value exceeds that of their initial primary residence would see their tax bills go up, but not as much as they would without this provision. The tax assessment transfers would apply to the first three transfers for eligible homeowners.

Prop 19 narrows existing “Prop 13” tax benefits for inherited property. The benefits would now apply only to family homes used as the primary residence by the incoming occupant (the child or grandchild) and to farms. The tax assessment transfer would continue to apply to properties valued up to \$1,000,000. Properties assessed at a market value greater than \$1,000,000 would be taxed using an upward adjustment.

Prop 19 would also establish the California Fire Response Fund. Money in this fund would be appropriated for fire protection and emergency response, funding the fire suppression staffing at the Department of Forestry, addressing inequities in underfunded fire districts to help protect California residents from wildfires. This bill would also create a fund called the County Revenue Protection Fund. These funds will reimburse eligible local agencies for revenue losses and help pay administrative costs.

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<sup>3</sup> Legislative Analyst’s Office, “Proposition 5 [Ballot],” <https://lao.ca.gov/BallotAnalysis/Proposition?number=5&year=2018>.

<sup>4</sup> Liam Dillon, Ben Poston, “California homeowners get to pass low property taxes to their kids. It’s proved highly profitable for an elite group,” *Los Angeles Times*, August 17, 2018. <https://www.latimes.com/politics/la-pol-ca-california-property-taxes-elites-201808-htm1story.html>.

<sup>5</sup> Ballotpedia, “California Proposition 5, Property Tax Transfer Initiative (2018),” [https://ballotpedia.org/California\\_Proposition\\_5\\_Property\\_Tax\\_Transfer\\_Initiative\\_\(2018\)](https://ballotpedia.org/California_Proposition_5_Property_Tax_Transfer_Initiative_(2018)).

**Fiscal Impact**

The Legislative Analyst's Office estimates that some local governments could benefit by an increase in property tax revenue to the tune of "tens of millions of dollars," all of which would be generated by the modification to inheritance property tax laws. Other local governments stand to lose "tens of millions of dollars" in revenue as a result of tax assessment transfers for residents older than 55, the severely disabled, and victims of wildfires.<sup>6</sup>

**Supporters**

Supporters include:

- California Association of Realtors
- California Professional Firefighters
- Various local governments, business and real estate groups

As of September 19, 2020, proponents raised approximately \$36 million.<sup>7</sup> The California Association of Realtors Issues Mobilization PAC was the largest donor, contributing nearly \$31 million.

**Arguments of Supporters**

Supporters say Prop 19 would:

- Allow seniors to move closer to medical resources, friends, and family without a major tax penalty, giving them greater flexibility at a time when many aspects in the quality of their lives are changing dramatically.
- Give severely disabled persons a greater ability to move into residences that can better accommodate their needs.
- Help victims of wildfires and other natural disasters move into undamaged homes.
- Provide necessary tax breaks to family farms which are an important but struggling enterprise.
- Set aside dedicated funds for wildfire emergency needs.<sup>8</sup>

**Opponents**

Opponents include:

- The Howard Jarvis Taxpayers Association
- Assemblyman Ken Cooley (D-Rancho Cordova)
- Senator Patricia Bates (R-Laguna Niguel)

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<sup>6</sup> Ballotpedia, "Proposition 5."

<sup>7</sup> Ballotpedia, "Proposition 19."

<sup>8</sup> California Secretary of State, "Official Voter Information Guide, General Election (2020),"

<https://voterguide.sos.ca.gov/>

As of September 19, 2020, opponents have raised approximately \$45,000 in funds.<sup>9</sup>

### Arguments of Opponents

Opponents say Prop. 19 would

- Threaten the right to inheritance for properties whose intended use is not as the primary residence of the transferee.
- Burden families whose future property tax valuations were secured by Proposition 58 in 1986. One estimate suggests that 40,000 to 60,000 families will see tax increases as a result of this measure.<sup>10</sup>
- Serve the special interests of the real estate industry.
- Not solve the real issues regarding property taxes, because it hurts first time buyers who are looking for affordable, smaller homes.<sup>11</sup>

### Conclusion

Voting YES on Proposition 19 means:

- All homeowners who are 55+ (or who meet other qualifications) would be eligible for property tax savings when they move within the state.
- Only inherited properties used as primary homes or farms would be eligible for property tax savings.

Voting NO on Proposition 19 means:

- Some homeowners who are over 55 (or who meet other qualifications) may continue to transfer their tax assessments, subject to restrictions on geography and the value of the new residence.
- All inherited properties would continue to be eligible for property tax savings.

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<sup>9</sup> Ibid.

<sup>10</sup> Jon Coupal, "Proposition 19 is latest assault on taxpayers," *Daily Breeze*, July 4, 2020.  
<https://www.dailybreeze.com/2020/07/04/proposition-19-is-latest-assault-on-taxpayers>

<sup>11</sup> California Secretary of State, "Voter Guide"