



STATE BOARD OF EQUALIZATION  
PROPERTY TAX DEPARTMENT  
450 N STREET, SACRAMENTO, CALIFORNIA  
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0064  
1-916-274-3350 • FAX 1-916-285-0134  
[www.boe.ca.gov](http://www.boe.ca.gov)

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December 23, 2020

Thomas L. Sheehy  
Sheehy Strategy Group  
1017 L Street, Suite 771  
Sacramento CA 95814

Dear Mr. Sheehy:

This is in response to your letter, dated November 16, 2020, and your follow-up letter, dated December 8, 2020, in which you ask about the changes to the parent-child and grandparent-grandchild exclusion resulting from the passage of Proposition 19.

As you are aware, on November 3, 2020, the voters of California approved Proposition 19, which, in part, adds section 2.1 to article XIII A of the California Constitution to limit the parent-child and grandparent-grandchild exclusion to a family home or farm that is the principal residence of both the transferor and the transferee. These changes to the parent-child and grandparent-grandchild exclusion will become operative on February 16, 2021.

In your first letter, you asked four questions regarding the changes to the parent-child and grandparent-grandchild exclusion. In your follow-up letter, you asked for further clarification on the deadline date for transfers occurring on or before February 15, 2021. Here is an overview of the law regarding change in ownership, followed by your questions and our responses, which include clarification regarding transfers that occur on or before the February 15, 2021 deadline.

As added by Proposition 19, section 2.1(c)(1) of article XIII A of the California Constitution provides that the terms "purchased" and "change in ownership" do not include the purchase or transfer of a family home of the transferor, in the case of a transfer between parents and their children, if the property continues as the family home of the transferee.

The term "purchase" is defined in Revenue and Taxation Code<sup>1</sup> section 67 as a change in ownership for consideration. The term "change in ownership" is defined in section 60 as a transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee interest. Property Tax Rule 462.001 clarifies section 60 and provides that every transfer of property qualified as a "change in ownership" shall be so regarded whether the transfer is voluntary, involuntary, by operation of law, by grant, gift, devise, inheritance, trust, contract of sale, addition or deletion of an owner, property settlement, or any other means. Section 61 provides examples of what constitutes a change in ownership.

<sup>1</sup> All statutory references are to the Revenue and Taxation Code, unless otherwise indicated.

1. *What cutoff date(s) will there be for clients with investment property transfers from parent to child to submit their claims for exclusion from reassessment on investment property (i.e., 2/15/20)?*

Proposition 19 provides that the provisions of article XIII A, section (h) apply to transfers that occur on or before February 15, 2021. Thus, the parent-child exclusion under Proposition 58 (California Constitution article XIII A, section 2(h); and RTC section 63.1) will apply to a transfer or change in ownership of real property between a parent and a child that occurs on or before February 15, 2021. This would also include a transfer due to a date of death that occurs on or before February 15, 2021. Section 63.1(e)(1) provides that the claim for exclusion must be filed with the County Assessor within three years of the date of transfer or before a transfer to a third party, in order for the exclusion to be applied as of the date of the parent-child transfer.

2. *Will investment properties qualify if the claim for reassessment exclusion is filed before the cutoff date (2/16/2021), but processed after the cutoff date?*

As long as the date of transfer or change in ownership of real property between parent and child occurs on or before February 15, 2021 and a claim for exclusion is timely filed, as described previously, it does not matter when the claim for exclusion is processed.

3. *How will parent to child transferees prove the subject property is owner-occupied?*

Section 2.1(c)(5)(A) of article XIII A requires a transferee to file a claim for the homeowner's or disabled veteran's exemption within one year of the date of transfer. The County Assessor will process the claim for the homeowners' or disabled veterans' exemption as they would any other claim for either exemption. If the County Assessor needs verification, they will ask for proof such as voter registration, vehicle registration, bank statements, and/or income tax returns.

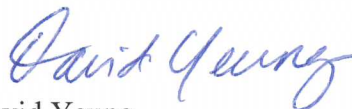
4. *Will these properties be reassessed if the property is no longer owner-occupied after some time period, or is there a certain amount of time the property must be owner-occupied?*

Proposition 19 is not clear on this issue. This issue, and many other unclarified issues, will need to be resolved through future legislation.

For further information on Proposition 19, please see Letter To Assessors No. 2020/061, which is posted to the BOE's website at <https://www.boe.ca.gov/prop19/>.

If you have any further questions, please feel free to contact the County-Assessed Properties Division at 1-916-274-3350.

Sincerely,



David Yeung  
Deputy Director  
Property Tax Department

DY:gs

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