

PROPOSITION **19** **CHANGES CERTAIN PROPERTY TAX RULES.
LEGISLATIVE CONSTITUTIONAL AMENDMENT.**

OFFICIAL TITLE AND SUMMARY

PREPARED BY THE ATTORNEY GENERAL

The text of this measure can be found on the Secretary of State's website at voterguide.sos.ca.gov.

- Permits homeowners who are over 55, severely disabled, or whose homes were destroyed by wildfire or disaster, to transfer their primary residence's property tax base value to a replacement residence of any value, anywhere in the state.
- Limits tax benefits for certain transfers of real property between family members.
- Expands tax benefits for transfers of family farms.
- Allocates most resulting state revenues and savings (if any) to fire protection services and reimbursing local governments for taxation-related changes.

SUMMARY OF LEGISLATIVE ANALYST'S ESTIMATE OF NET STATE AND LOCAL GOVERNMENT FISCAL IMPACT:

- Local governments could gain tens of millions of dollars of property tax revenue per year. These gains could grow over time to a few hundred million dollars per year.
- Schools could gain tens of millions of dollars of property tax revenue per year. These gains could grow over time to a few hundred million dollars per year.
- Revenue from other taxes could increase by tens of millions of dollars per year for both the state and local governments. Most of this new state revenue would be spent on fire protection.

19

FINAL VOTES CAST BY THE LEGISLATURE ON ACA 11 (PROPOSITION 19)
(RESOLUTION CHAPTER 31, STATUTES OF 2020)

Senate:	Ayes 29	Noes 5
Assembly:	Ayes 56	Noes 5

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

Local Governments Tax Property. California cities, counties, schools, and special districts (such as a fire protection district) collect property taxes from property owners based on the value of their property. Property taxes raise around \$65 billion each year for these local governments.

How Is a Property Tax Bill Calculated? Each property owner's annual property tax bill is equal to the taxable value of their property multiplied by their property tax rate. The typical property owner's property tax rate is 1.1 percent. In the year a new owner takes over a property, its taxable value typically is its purchase price. Each year after that, the property's

taxable value is adjusted for inflation by up to 2 percent. When a property changes ownership again, its taxable value is reset to its new purchase price.

Property Taxes Increase When a Property Changes Ownership. The taxable value of most properties is less than what they could be sold for. This is because the price most properties could sell for grows faster than 2 percent per year. Because of this, when a property changes ownership its taxable value often resets to a higher amount. This leads to a higher property tax bill for that property. This means people who move usually end up paying higher property taxes for their new home than they paid for their old home.

Special Rules for Some Homeowners. In some cases, special rules allow existing homeowners to move to a different home without paying higher property taxes. These special rules apply to homeowners who are over 55 or severely disabled or whose property has been impacted by a natural disaster or contamination. We refer to these people as “eligible homeowners.” An eligible homeowner can move within the same county and keep paying the same amount of property taxes if their new home is not more expensive than their existing home. Also, certain counties allow these rules to apply when an eligible homeowner moves to their county from another county. Homeowners who are over 55 or severely disabled generally can use these special rules only once in their lifetime. This limit does apply to properties impacted by a natural disaster or contamination.

Special Rules for Inherited Properties.

Special rules also allow properties to pass between parents and children without an increase in the property tax bill.

These rules also apply to grandparents and grandchildren if the grandchildren’s parents are deceased. We call properties passed between parents and children or grandparents and grandchildren “inherited property.” The rules apply to a parent’s or grandparent’s home and a limited amount of other types of property.

Counties Manage the Property Tax.

County assessors determine the taxable value of property. County tax collectors bill property owners. County auditors distribute tax revenue to local governments. Statewide, counties spend about \$800 million each year on these activities.

Schools Funding Comes From Both Local Property Taxes and State Taxes. Schools receive funding from both local property taxes and state taxes. State law says that schools must receive a minimum amount of total funding from these two sources.

PROPOSAL

The measure makes changes to the special rules for eligible homeowners and inherited properties.

Expanded Special Rules for Eligible Homeowners. Starting April 1, 2021, the measure expands the special rules for eligible homeowners. Specifically, the measure:

- **Allows Moves Anywhere in the State.** Eligible homeowners could keep their



ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

lower property tax bill when moving to another home anywhere in the state.

- **Allows the Purchase of a More Expensive Home.** Eligible homeowners could use the special rules to move to a more expensive home. Their property tax bill would still go up but not by as much as it would be for other homebuyers.
- **Increases Number of Times a Homeowner Can Use the Special Rules.** Homeowners who are over 55 or severely disabled could use the special rules three times in their lifetime.

Narrows the Special Rules for Inherited Properties. Starting February 16, 2021, the measure narrows the special rules for inherited properties. Specifically, the measure:

- **Ends Special Rules for Properties Not Used as a Home or for Farming.** The special rules would apply only to two kinds of inherited property. First, the rules would apply to properties used as a primary home by the child or grandchild. Second, the rules would apply to farms. Properties used for other purposes could no longer use the special rules.
- **Requires Tax Bill to Go Up for High Value Inherited Homes and Farms.** The property tax bill for an inherited home or farm would go up if the price the property could be sold for exceeds the property's taxable value by more than \$1 million (adjusted

for inflation every two years). In this case, the tax bill would go up but not as much as it would if the property were sold to someone else.

Dedicates Certain Money for Fire Protection. The measure could make new funding available to the state. We discuss this new funding in the next section. The measure requires that most of the new funds be spent on fire protection. In addition, the measure requires that a smaller part of the new funds be given to certain local governments.

FISCAL EFFECTS

Increased Property Taxes From Narrowed Rules for Inherited Properties. Narrowing the special rules for inherited properties would lead to higher property taxes for some inherited properties. This would increase property taxes for local governments and schools.

Reduced Property Taxes From Expanded Rules for Eligible Homeowners. Expanding the special rules for eligible homeowners could change property tax collections in a few ways. Most importantly, more homeowners could get property tax savings when moving from one home to another. This would reduce property taxes for local governments and schools.

Overall, More Property Taxes for Local Governments and Schools. Some parts of the measure would increase property taxes. Other parts would decrease them. Overall, property taxes for local governments and schools probably would increase. In the first few years,

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

local governments could gain tens of millions of dollars per year. Over time, these revenue gains could grow to a few hundred million dollars per year. Schools could receive similar property tax gains.

Possible Reduction in State Costs for Schools in Some Years. In limited situations, total school funding from property taxes and state taxes could be about the same in some years despite schools' property tax gains. This is because existing state law could cause state funding for schools to decrease by about the same amount as their property tax gains. If this happens, the state would get cost savings in those years. These savings would be a similar amount to school property tax gains. The measure says most of these savings would have to be spent on fire protection.

Other Smaller Changes in Tax Collections. The measure allows more people to buy and sell homes without facing an increased property tax bill. Because of this, the measure probably would increase the number of homes sold each year. This would increase money going

to the state and local governments from a number of other taxes collected on the sale of a home. These increases could be in the tens of millions of dollars per year. The measure says most of this increase in state tax revenue would have to be spent on fire protection.

Higher Costs for Counties. Counties probably would need to hire new staff and make computer upgrades to carry out the measure. This would increase costs for counties by **tens of millions of dollars per year.**

Visit <http://cal-access.sos.ca.gov/campaign/measures/> for a list of committees primarily formed to support or oppose this measure.

Visit <http://www.fppc.ca.gov/transparency/top-contributors.html> to access the committee's top 10 contributors.

If you desire a copy of the full text of this state measure, please call the Secretary of State at (800) 345-VOTE (8683) or you can email vigfeedback@sos.ca.gov and a copy will be mailed at no cost to you.

★ ARGUMENT IN FAVOR OF PROPOSITION 19 ★

YES on 19. Tax Savings and Housing Relief for SENIORS, WILDFIRE VICTIMS, and PEOPLE WITH DISABILITIES. Proposition 19 protects vulnerable Californians, closes unfair tax loopholes, and generates needed revenue for fire protection and emergency medical response.

1) LIMITS PROPERTY TAXES FOR SENIORS, WILDFIRE VICTIMS, AND DISABLED HOMEOWNERS. PROP. 19: • Removes unfair, ever-changing location restrictions in current law so homeowners who are seniors, disabled, or victims of wildfire can transfer their home's Prop. 13 tax savings to a replacement home anywhere in California. • Provides housing relief for millions of seniors, many feeling trapped in homes they can't maintain, with too many stairs, located too far from family or medical care—made worse by coronavirus health risks. • Creates record home ownership opportunities for renters and new homeowners statewide as tens of thousands of homes will become available for the first time in decades. • "After two wildfires destroyed 15,155 homes, victims faced massive tax hikes simply for relocating a few miles away. Prop. 19 removes unfair location restrictions to eliminate sudden tax increases so wildfire victims can move to a replacement home anywhere in California."

—Kristy Militello, Tubbs Wildfire Survivor

2) CLOSES UNFAIR TAX LOOPHOLES USED BY EAST COAST INVESTORS, CELEBRITIES, AND WEALTHY TRUST FUND HEIRS ON VACATION HOMES AND RENTALS: • News reports and property records have revealed rules meant to limit taxes on family primary residences are exploited by out-of-state professionals, celebrities, and wealthy heirs to avoid paying their fair share of taxes on vacation homes and rentals. [*Los Angeles Times*, 8/17/18] • Exploiting loopholes resulted in billions in lost revenue for schools and counties, forcing California homeowners to pay tax bills 10 times higher than rental homes in the same neighborhood owned by heirs, many living as far as Florida or New York.

PROP. 19 PROTECTS FAMILY HOMES—and low tax rates—for children inheriting and living in primary

residences as intended under law; ELIMINATES TAX LOOPHOLES on homes converted into rentals . . . since rental income would easily cover any bump in property taxes.

3) INCREASES FIRE PROTECTION, EMERGENCY RESPONSE & SCHOOL FUNDING BY: • Establishing Fire Protection and Emergency Medical Response Funding: dedicated revenue for fire districts in rural and urban communities to fix inequities that threaten life-saving response times to wildfires and medical emergencies. • Providing an economic boost for schools and counties struggling to balance budgets due to coronavirus, with long-term revenue for emergency response, affordable housing, homeless programs, healthcare, and other local services. • Generating hundreds of millions in revenue for schools and local governments resulting from senior home sales and closing loopholes on inherited properties not used as a primary residence.

4) DEMOCRATS AND REPUBLICANS SUPPORT PROP. 19: "Prop. 19 protects tax savings and benefits for vulnerable Californians, including seniors, disabled homeowners, and wildfire victims."—*Jim Brulte, CA Republican Party Former Chair*

"Vote with state and local Democrats to close unfair loopholes and provide needed housing relief for seniors and working families."—*Alexandra Rooker, CA Democratic Party Former Chair*

PLEASE JOIN FIREFIGHTERS, EMERGENCY RESPONDERS, SENIORS AND DISABILITY RIGHTS GROUPS, CALIFORNIA BLACK CHAMBER OF COMMERCE, CALASIAN CHAMBER, HISPANIC CHAMBER, LOCAL DEMOCRATS & REPUBLICANS.

YESon19.vote

BRIAN RICE, President
California Professional Firefighters
KATHLEEN BARAJAS, President
Californians for Disability Rights
GEORGE MOZINGO, Boardmember
California Senior Advocates League



★ REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 19 ★

Prop. 19 eliminates one of the best tools parents have to help their children.

That's the right, enshrined in California's Constitution since 1986, to pass their home and up to \$1 million of other property on without changing the Prop. 13 tax assessment. Reassessment can mean a crushing tax increase. So parent-child transfers of a home and limited other property, like a small business, are protected from reassessment by Proposition 58, which passed with 76% of the vote in 1986.

PROPOSITION 19 ELIMINATES PROPOSITION 58. Transfers of family homes will be automatically reassessed unless a child moves in within one year.

Prop. 19 will collect new taxes when California families are FORCED BY HIGHER TAXES TO SELL THEIR PROPERTY. Its backers promise money for all kinds of programs. Everything the backers of Prop. 19 say it will pay for is paid for by RAISING TAXES on parent-child transfers of family property.

Prop.19 backers say "tens of thousands of homes" will become available to create home ownership opportunities. Prop. 19's backers expect it to trigger the sale of lots of family homes. That's shocking!

Parents today have very few tools in the toolkit to help their children financially. Even in good times, it is hard for the next generation to afford to stay in California, the place that has always been their home.

Proposition 19 isn't necessary. It's a major hit on the ability of any parent in California to take care of their kids. VOTE NO ON PROPOSITION 19.

ASSEMBLYMAN KEN COOLEY, District 8
SENATOR PATRICIA BATES, District 36
JON COUPAL, President
Howard Jarvis Taxpayers Association

★ ARGUMENT AGAINST PROPOSITION 19 ★

VOTE NO ON PROPOSITION 19.

“Proposition 19 is an attempt by Sacramento politicians to raise property taxes by removing two voter-approved taxpayer protections from the State Constitution. This measure would require *reassessment to market value* of property transferred from parents to children, and from grandparents to grandchildren.”—*Jon Coupal, President, Howard Jarvis Taxpayers Association*

Proposition 19 TAKES AWAY PROPOSITION 13-related protections that California families have under the State Constitution and replaces them with a *tax increase*. VOTE NO on Proposition 19.

Under current law, transfers of certain property between parents and children are excluded from reassessment, meaning *the property tax bill stays the same* after the property is transferred. The same is true for certain transfers between grandparents and grandchildren.

Voters added these overwhelmingly popular provisions to the State Constitution with Proposition 58 in 1986 and Proposition 193 in 1996.

Under Prop. 58, parents may transfer a home of any value and up to \$1 million of assessed value of other property to their children without an increase in property taxes. IF WE LOSE PROPOSITION 58, children could be *forced by higher taxes to sell their family's property*, such as a small business that has provided the family with financial security, and their longtime family home if they can't move into it fast enough.

PROPOSITION 19 TAKES AWAY PROPOSITION 58, EVEN THOUGH IT WAS APPROVED BY 75.7% OF VOTERS!

Proposition 19 was put on the ballot through a last-minute backroom deal in the Legislature, despite opposition from both Democrats and Republicans.

Proposition 19 would force the *reassessment to market value* of property transferred within families unless used as the new owner's principal residence.

PROPOSITION 19 IS A MASSIVE, BILLION-DOLLAR TAX INCREASE ON CALIFORNIA FAMILIES.

The non-partisan Legislative Analyst's Office projects that Proposition 19 could eventually cost California families about *two billion dollars annually* in higher property taxes. THE TRANSFER PROVISIONS IN PROPOSITION 19 WERE ALREADY REJECTED BY VOTERS.

Current law (Propositions 60 and 90) allows homeowners age 55 and older to move to a replacement home and transfer their base-year property tax assessment from their previous home to the new property. Current law allows this transfer one time, within the same county or to a county that accepts the transfers, and only if the replacement property is of equal or lesser value. In 2018, voters were presented with Proposition 5, which would have allowed more transfer opportunities, but voters decided the current system was fair and they overwhelmingly rejected Proposition 5.

Now Sacramento politicians are offering this proposal again, but this time they've added *a massive tax increase* on inherited property. It's a bad deal for California families.

California voters have said clearly that they do not want property reassessed to market value when transferred between parents and children, or, if the children's parents are deceased, between grandparents and grandchildren.

Now Sacramento politicians are trying to take these protections away from California families so they can raise taxes again. Don't let it happen.

VOTE NO ON PROPOSITION 19.

JON COUPAL, President
 Howard Jarvis Taxpayers Association
SENATOR PATRICIA BATES, District 36
ASSEMBLYMAN KEN COOLEY, District 8

19

★ REBUTTAL TO ARGUMENT AGAINST PROPOSITION 19 ★

Don't Believe Self-Serving Fictions Printed Above

GET THE FACTS:

FACT: Prop. 19 provides tax limits/housing relief for seniors. FACT: Prop. 19 closes tax loopholes used by out-of-state investors. FACT: Prop. 19 safeguards Prop. 13 for homeowners. FACT: Prop. 19 protects lives/homes from wildfires.

Read the initiative yourself: • “Property Tax Fairness for Seniors, the Severely Disabled, and Victims of Wildfire and Natural Disasters” [Prop. 19, Section 2.1(b)].

• “Protecting the right of parents and grandparents to pass on their family home to their children” [Prop. 19, Section 2.1(a)(2)]. • “Eliminating unfair tax loopholes used by East Coast investors, celebrities, wealthy non-Californian residents, and trust fund heirs to avoid paying a fair share of property taxes” [Prop. 19, Section 2.1(a)(2)]. • “Limit damage from wildfires on homes through dedicated funding for fire protection and emergency response” [Prop. 19, Section 2.1(a)(1)].

Read more here: www.sos.ca.gov/elections/ballot-measures/qualified-ballot-measures

What facts did opponents conveniently fail to disclose?

• One politician owns three homes—and recently admitted

taking advantage of the same tax loophole Prop. 19 eliminates. [State Capitol Floor Speech, 6/26/20]

• Another politician using the tax loophole paid \$2,034 in taxes on a MILLION DOLLAR rental home—\$10,000 LESS than what's paid on similar neighborhood homes. [Public Records, San Diego County] • Special-interest lawyer, Jon Coupal admitted voters didn't intend to grant tax breaks for out-of-state heirs on multimillion-dollar rentals. [Los Angeles Times] • “Jarvis group evolves into money machine . . . Coupal is in the business of promoting initiatives and causes.” [Sacramento Bee Columnist]

STAND WITH MILLIONS OF SENIORS, DISABLED HOMEOWNERS, WILDFIRE VICTIMS, FIREFIGHTERS, EMERGENCY RESPONDERS, FAMILY FARMERS, AND HARD-WORKING CALIFORNIANS.

www.YESon19.vote

KRISTY MILITELLO, Tubbs Wildfire Survivor
DAVID WOLFE, Former Legislative Director,
 Howard Jarvis Taxpayers Association
SALENA PRYOR, President
 Black Small Business Association of California