

PROPOSITION 193: GRANDPARENT-GRANDCHILD EXCLUSION

Proposition 193 extends the Proposition 58 exclusion to certain transfers of real property from grandparent to grandchild. Proposition 193 was approved by voters on March 26, 1996, and amended Article XIII A of the California Constitution.

FILING DEADLINES FOR PROP. 58 & 193 CLAIMS

The exclusion claim must be filed either (1) within three years of the purchase or transfer of the property, or (2) prior to the subsequent transfer of the property to a third party, whichever is earlier. However, if the claim is filed within six months after the date of mailing of the Assessor's notice of supplemental or escape assessment (an assessment notice) issued as a result of the purchase or transfer for which the claim is filed, the claim will be deemed timely. Further, if the three year timeline has passed, and the property has not been transferred to a third party, the Assessor may grant the exclusion prospectively pursuant to an otherwise untimely claim, if certain conditions are met.

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CONTACT INFORMATION

ASSESSOR

www.smcare.org
e-mail: assessor@smcare.org

REAL PROPERTY

www.smcare.org
Owner & Parcel Info650.363.4500
Exemptions650.363.4500
Maps650.363.4502
Recorded Document Info650.363.4500

ASSESSMENT APPEALS BOARD

www.co.sanmateo.ca.us/assessmentappeals
Appeals Board650.363.4573

CONTROLLER

www.co.sanmateo.ca.us/controller
Tax Rates 650.363.4777

TAX COLLECTOR

www.sanmateocountytaxcollector.org
Tax Bills & Payments650.363.4143

STATE OF CALIFORNIA

Controller800.952.5661
www.sco.ca.gov
Franchise Tax Board800.852.5711
www.ftb.ca.gov
Board of Equalization800.400.7115
www.boe.ca.gov

SAN MATEO COUNTY
ASSESSOR-COUNTY CLERK-RECORDER-ELECTIONS
555 County Center
Redwood City, CA 94063
650.363.4500
www.smcare.org
Monday-Friday 8:00 a.m. - 5:00 p.m.

SAN MATEO COUNTY

PARENT-CHILD AND GRANDPARENT-GRANDCHILD REASSESSMENT EXCLUSIONS

PROPOSITIONS 58 & 193



Mark Church
Assessor-County Clerk-Recorder
& Chief Elections Officer

San Mateo County
555 County Center
Redwood City, California 94063
650.363.4500

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Most transfers between parents and children, and *some* transfers between grandparents and grandchildren, qualify for an exclusion from reassessment.

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PROPOSITION 58: PARENT-CHILD EXCLUSION

Proposition 58 amended the California Constitution to exclude from reassessment certain transfers of real property (such as sales, gifts, inheritance) from parent to child or from child to parent, and reaffirmed existing statutes excluding transfers between spouses.

WHAT IS THE EFFECTIVE DATE OF PROPOSITION 58?

Proposition 58 applies to any transfer of real property between parent and child on or after November 6, 1986.

WHO ARE THE "TRANSFEROR" AND "TRANSFeree?"

The transferor is the current owner of the property being transferred. The new owner is the transferee.

WHICH TRANSFERS OF REAL PROPERTY MAY QUALIFY?

- Transfers between parent and child of the principal residence; and/or
- Transfers between parent and child of the first \$1,000,000 in assessed value of other real property.

DOES THE "FIRST \$1,000,000 IN VALUE" REPRESENT THE CURRENT MARKET VALUE OR THE ASSESSED VALUE?

The value used is the Proposition 13 value (also called factored base year value) immediately prior to the transfer date. Basically, this would be the taxable value on the assessment roll.

Let's explain these terms.

Proposition 13: A 1978 Constitutional Amendment controlling rising property taxes. It limited the assessed value of existing real property to the 1975-1976 assessed values, limited tax rates to one percent of assessed value (plus voter-approved surcharges), and limited inflation-based value increases to no more than two percent annually.

Base year: Either 1975 or the year when the property or portion thereof was purchased, newly constructed, or underwent a re-appraisable change in ownership by the current transferor.

Base year value: The 1975-1976 assessed value or the full market value of the home in the base year, typically the purchase price.

Factored base year value: The base year value, increased by no more than two percent (2%) per year. Also called the "Prop. 13 value."

WHAT IS MEANT BY "CHILD" UNDER PROPOSITION 58?

- Any child born of the parent, or
- Any stepchild or stepchild's spouse while the relationship of stepparent and stepchild exists, or

- Any son/daughter-in-law of the parent, or
- Any child statutorily adopted before the age of 18, or
- Any foster child of a state-licensed foster parent.

WHAT IS MEANT BY PRINCIPAL RESIDENCE?

A principal residence is:

- A dwelling for which the owner has been granted a homeowner's exemption, in the name of the parent or the child, or
- A dwelling occupied by a person who has qualified for a disabled veteran's exemption in California.

Note:

Only a reasonable portion of the land will be considered a part of the principal residence in the value calculation. If the land area exceeds the area reasonably necessary as a site for the residence.

HOW MANY PARENT-CHILD TRANSFERS OF A PRINCIPAL RESIDENCE MAY QUALIFY UNDER PROPOSITION 58?

There is no limit. However, each transferred residence must qualify as a principal residence.

MUST THE PROPERTY QUALIFY AS THE PRINCIPAL RESIDENCE OF BOTH THE TRANSFEROR AND THE TRANSFeree?

No. The residence need only qualify as the principal residence of the transferor.

MAY ELIGIBLE FAMILY MEMBERS COMBINE THEIR EXCLUSION BENEFITS?

Yes. For example, a mother and a father could combine their individual \$1 million benefits to exclude from reassessment a transfer to their children of \$2 million of value in real property that is not the parents' principal residence.