



Senate Bill 284 (Seyarto)

Date: May 7, 2025 (Amended)

Program: Property Taxes

Revenue and Taxation Code section 63.2 & 63.2.1

Effective: Upon enactment, immediately

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**Summary:** This bill amends section 63.2 of, and adds section 63.2.1 to, the Revenue and Taxation Code (RTC) to enact a new change in ownership exclusion for transfers between eligible transferees (parent, child, or grandchild) during the one-year period that Proposition 19 (2020) sets for an eligible transferee to reside in the property to be eligible for the exclusion. Additionally, the measure resets the start date for the one-year period under Proposition 19 to establish residency in the transferred property to coincide with the effective date of the final judicial decree in a probate case. SB 284 states that the second change applies notwithstanding any other law.

**Fiscal Impact Summary:** Annual revenue loss is estimated to be \$18.8 million

**Existing Law:** Current law requires assessors to reassess real property from its Proposition 13 (1978) protected value (called the "base year value") to its current market value whenever a change in ownership or new construction occurs.<sup>1</sup> Exceptions to this reassessment requirement have been enacted, including exclusions from reassessment for transfers between parents and children. Under certain circumstances, the parent-child exclusion is extended to transfers of real property from grandparents to grandchildren.

Proposition 58 (1986) excluded transfers of property from parents to children from change in ownership (ACA 2, Hannigan). Ten years later, Proposition 193 (1996) extended the exclusion to transfers of property to grandchildren, so long as the parents are deceased (ACA 17, Knowles). These two changes created an exclusion to the requirement that property be reassessed when a change in ownership occurs and apply when property is passed down (parent to child; grandparent to grandchild) or passed up (child to parent). These exclusions applied to all inherited primary residences, regardless of value or number of transfers, and to up to \$1 million in aggregate value of all other types of property, such as second homes or business properties.

Operative February 16, 2021, Proposition 19 replaced the existing parent-child and grandparent-grandchild exclusion with a new intergenerational exclusion that applies only to a transfer of a family home or family farm, if the property continues as the family home or family farm of the transferee. *Section 2.1(c) and (d)*. The transferee has one year from the date of transfer to reside in the home to be eligible for the exclusion.

After the enactment of Proposition 19, the Legislature enacted an omnibus implementation bill to resolve several administrative uncertainties, largely based on similar law implementing Propositions 58 and 193 (SB 539, Hertzberg – ch. 427, 2021). Among other requirements, SB 539 codified Proposition 19's requirement that the transferee claim the homeowners' or disabled veteran's exemption at the time of transfer to apply the exclusion. SB 539 also established definitions for "eligible transferor" and "eligible transferee," which includes a parent, child, grandparent, or grandchild of an eligible transferor.

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<sup>1</sup> Article XIII A, section 2.

While Proposition 19 significantly limits the exclusion established by Propositions 58 and 193, eligible transferees remain eligible to carry over the base year value of property inherited from previous generations. However, if eligible transferees under Proposition 19 subsequently sell property interest to each other, current law considers those transfers changes in ownership, subject to reassessment based on the percentage of interest sold.

**Family Home.** Family home has the same meaning as "principal residence," as used in subdivision (k) of section 3 of article XIII. Proposition 19 provides that "family home" includes a "family farm," which means any real property that is under cultivation or being used for pasture or grazing or to produce any agricultural commodity, defined as any and all plant and animal products produced in California for commercial purposes.<sup>2</sup> *Section 2.1(c)(3).*

**Principal Place of Residence.** To qualify for this benefit, Proposition 19 requires that (1) the home must be the principal residence of the transferor and continue as the principal residence of the transferee and, (2) the transferee must file for the homeowners' or disabled veterans' exemption within one year of the date of purchase or transfer. *Section 2.1(c)(1) and (5).*

**Principal Residence Value Test.** Proposition 19 provides that the existing adjusted base year value of the principal residence will remain if the reassessed value is less than the sum of the adjusted base year value of the principal residence of the transferor plus \$1 million. If the reassessed value exceeds the sum of the adjusted base year value of the principal residence of the transferor plus \$1 million, then the difference between (1) the sum of the adjusted base year value plus \$1 million, and (2) the reassessed value, is to be added to the property's existing adjusted base year value. *Section 2.1(c)(1).*

**Adjustment of \$1 Million.** Beginning February 16, 2023, the \$1 million amount is biennially adjusted by an inflation factor that is the percentage change in the House Price Index (HPI) for California for the prior calendar year, as determined by the Federal Housing Finance Agency. The State Board of Equalization (BOE) is required to calculate and publish the adjustments required. *Section 2.1(c)(4).*

**Grandparent-Grandchild Middle Generation Limitation.** Proposition 19 provides that the exclusion applies to a transfer between grandparents and grandchildren if all the parents of those grandchildren, who qualify as children of the grandparents, are deceased as of the date of the purchase or transfer. *Section 2.1(c)(2).*

**Homeowners' and Disabled Veterans' Exemption.** The California Constitution<sup>3</sup> exempts from property tax the first \$7,000 of assessed value for owner-occupied principal places of residence. This exemption is commonly known as the "homeowners' exemption." The California Constitution also authorizes the Legislature to exempt partially or fully from property tax, the principal place of residence owned by a veteran or the veteran's spouse, including a veteran's unmarried surviving

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<sup>2</sup> Government Code section [51201](#) provides that "agricultural commodity" means any and all plant and animal products produced in California for commercial purposes, including, but not limited to, plant products used for producing biofuels, and industrial hemp cultivated in accordance with Food and Agricultural Code [division 24](#) (commencing with section 81000).

<sup>3</sup> Article XIII, section [3\(k\)](#).

spouse, if the veteran has incurred certain injuries, including blindness in both eyes, lost use of 2 or more limbs, or is totally disabled. The exemption is also available to the veteran's unmarried surviving spouse if a veteran's death is from a service-connected injury or disease or occurs while on active duty in military service. This exemption is commonly referred to as the "disabled veterans' exemption."

**Probate.**

Probate is the court-supervised process developed under California law that transfers legal title of property from the estate of a person who has died to beneficiaries. At the beginning of probate, a petition is filed with the court. After notice is given, and a hearing is held, the will is admitted to probate and an executor is appointed. If a person dies without a will, their estate is still subject to probate and the court may appoint a person to handle the estate known as the "administrator."

To start a probate case (called opening probate), you appear in court and ask a judge to appoint a personal representative. The personal representative is the person responsible for representing the estate in the probate process. The personal representative collects all the property of the person that died, pays their bills, and then distributes any remaining property to the people with a legal right to receive the property (called heirs or beneficiaries).

The entire probate process generally takes 9 to 18 months from beginning to end, and can sometimes take even longer. While beneficiaries can occupy a property under certain circumstances, they cannot take ownership until the Probate Court issues its order. As a result, many beneficiaries cannot claim the homeowners' exemption within one year, so therefore cannot claim a Proposition 19 intergenerational change in ownership exclusion.

**Proposed Law:** Senate Bill 284 makes two changes. First, the bill enacts a new change in ownership exclusion (RTC section 63.2.1) for transfers between eligible transferees (parent, child, or grandchild) during the one-year period that Proposition 19 sets for an eligible transferee to reside in the property to be eligible for the exclusion. This proposed change would allow for subsequent transfers following an intergenerational transfer between eligible transferees to occur without reassessment.

Second, for transfers subject to probate, the measure resets the start date for the one-year period under Proposition 19 to establish residency in the transferred property to the effective date of the final judicial decree. SB 284 states that the second change applies notwithstanding any other law.

**Effective Date:** This bill would be effective immediately.

**Commentary:**

- According to the author, "SB 284 will clarify that eligible family members who inherit a family home can consolidate ownership under the one-year timeline of Prop 19. While the author deems this a clarification, it is indeed a new statutory authorization, regardless of what may have been intended or left unaddressed under Proposition 19.

*This staff analysis is provided to address various administrative, cost, revenue, and policy issues; it is not to be construed to reflect or suggest the BOE's formal position.*

- Newly proposed RTC section 63.2.1 is an expansion of the intergenerational transfer rules under current law, as it would allow transfers between siblings (potentially extended to aunts, uncles and cousins) to be excluded from change in ownership. However, it would only provide a 1-year period for these transfers, with no exception for the new proposed probate rules proposed in RTC section 63.2.
- Additionally, the author states that this measure will also provide protections for individuals who are not able to take ownership of a home because of a probate process. By adding clarity to Proposition 19 this measure ensures that families preserve a valuable asset and are not unduly burdened by a tax reassessment.”

**Administrative Concerns.** There are a number of administrative questions that will arise with the proposed probate provision in RTC section 63.2. Notable concerns include the following:

1. How will a County Assessor be notified when an affidavit of death is filed which will trigger a change in ownership reassessment?
2. Will the Assessor, under the new provision, hold a reassessment in abeyance until an intergenerational transfer is filed and notified of the completion of probate, or will the Assessor re-assess the property and then undo the reassessment if the intergenerational transfer is granted?
3. This would cause extra work for the Assessor and financial burden for the transferee. If the Assessor does not reassess upon death and the intergenerational transfer is not granted, the Assessor will have to do appraisal in retrospect, and will there be statute of limitation issue for escape assessments?

**Other Concerns.**

1. Proposed RTC section 63.2 (a)(1)(D) only applies to family homes and does not include family farms. Is this intended?
2. If a transfer is done by will or trust, the transfer process may still be lengthy. Those transferees would not receive the same benefit as probate transferees.

**Costs:**

Costs to BOE are estimated as follows: \$21,000 in 2025-26, \$143,000 in 2026-27, \$105,000 in 2027-28, \$87,000 in 2028-29, \$72,000 in 2029-30 and ongoing.

**Revenue Impact:**

At the time of preparing this analysis, BOE staff does not know the number of intestate transfers that would qualify for the intergenerational transfer per year. However, for every transfer that will

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qualify under this bill, the impact will be about \$3,434 in revenue loss. This is based on the difference of the California March 2025 median price of \$884,350 and the 2025 average assessed value of \$540,972  $((\$884,350 - \$540,972) \times 1\%)$ .

The Judicial Council of California published *Statewide Caseload Trends* [report](#) indicated 42,152 probate (estates, trusts, and other probate) filings in 2022-23. Total dispositions were 21,877.

As an order of magnitude, if an assumption is made that about twenty-five percent of the dispositions may be cases that would fall under SB 284, then estimated annual revenue loss is \$18.8 million  $((25\% \times 21,877 \text{ cases}) \times \$3,434)$ .

### **Revenue Summary:**

- Annual revenue loss is estimated to be \$18.8 million. This does not include the revenue impact from the proposed RTC section 63.2.1 as staff does not have reliable numbers of transfers among eligible transferees that may be excluded under its provision. Thus, the revenue impact may be understated.

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