

California State Board Of Equalization

ITEM K1.4
08/21/18

Taxpayers' Rights Advocate
Taxpayer Education Plan
Board Meeting - August 2018



Role of TRA in Taxpayer Education

What and when?

What is the BOE's Taxpayers' Rights Advocate role in taxpayer education?

- As part of the Morgan Property Taxpayers' Bill of Rights, the Taxpayers' Rights Advocate has an educational role as described in Revenue and Taxation Code Section 5908.
- The role is to assist assessors in their efforts to provide education and instruction to their staffs and local taxpayers.

What is the purpose of education and instruction?

- To promote taxpayer understanding and compliance with property tax laws.
- To promote statewide uniformity in the application of property tax laws.

When is this done?

- In accordance with Section 5908, educational assistance is provided upon request of a county assessor or assessors.

TRA and Assessors Engaged in Discussion

Educational ideas and benefit

TRA ideas presented for Taxpayer Education at Assessors' conference:

- Issuance of short information sheets for various property tax exclusion and exemption topics, written in simple non-technical terms.
- Creation of standard PowerPoint presentation that could be used by a county assessor's office when presenting information concerning exemptions available to nonprofit organizations.
- Work in conjunction with other areas of the agency to develop a publication addressing property tax exemptions available to nonprofit organizations.

Assessors agreed there was benefit:

- In April 2018, Assessors agreed and were supportive of the TRA office pursuing these educational efforts.

TRA Information Sheet Series

Content, topics completed, where located

What is the content of the BOE's Taxpayers' Rights Advocate Information Sheet?

- Currently the focus is to make taxpayers aware of various property tax exemptions and exclusions from reassessment that may be available to them.
- The Information Sheet for each topic will include information on the purpose of the exclusion or exemption, main requirements, how to apply, helpful hints, and where to find additional information.

What topics are complete?

- The first two information sheets were published at the end of July 2018.
 - *Information Sheet, Property Tax Savings: Transfers Between Parents and Children (Publication 800-1)*
 - *Information Sheet, Property Tax Savings: Transfers From Grandparents to Grandchildren (Publication 800-2)*

Where to find the Information Sheets?

- BOE website accessed through the BOE's Taxpayers' Rights Advocate main page – <http://www.boe.ca.gov/tra/>



INFORMATION SHEET

www.boe.ca.gov/tra

PROPERTY TAX SAVINGS: TRANSFERS BETWEEN PARENTS AND CHILDREN

The State Board of Equalization Taxpayers' Rights Advocate Office is committed to helping California taxpayers understand property tax laws, and be aware of exclusions and exemptions available to them.



Transfers of Property Between Parents and Children

Did you know that there is an exclusion from reassessment for real property transferred between parents and their children?

Revenue and Taxation Code section 63.1 allows property to be transferred between parents and children without reassessment. This exclusion, commonly referred to as Proposition 58, was approved by California voters in 1986. The exclusion is available for the following transfers:

- The transfer of a principal residence (no value limit);
- The transfer of up to one million dollars in assessed value of other real property.

The parent-child exclusion is available on transfers from a parent or parents to their:

- Son or daughter (born to or adopted)
- Stepchild
- Son-in-law or daughter-in-law

(It is also available on transfers from children to their parents.)



Potential for Tax Savings

Property taxes are based on the assessed value of your property. For purposes of property tax assessment in the state of California, real property is reassessed at market value if it is sold or transferred. As a result of the sale or transfer, the assessed value of the property and associated property taxes can sometimes increase significantly.

If the market value of the property at the time of the transfer or sale is more than the property's current assessed value, then savings will result from receiving the parent-child transfer exclusion of section 63.1.

If the exclusion is granted, the current assessed value on the property when the property was owned by the parents will be the same when the property is owned by the child. For example, if the parents purchased the property in 1985 and its assessed value at the time of the transfer to their child was \$150,000; and current fair market value of the property is \$350,000, then the child will be paying less property tax because the assessed value is \$200,000 less than the current market value. This would save the child over \$2,000 in property taxes per year.

How to Apply for the Parent-Child Exclusion

Complete form [BOE-58-AH](#), *Claim for Reassessment Exclusion for Transfer Between Parent and Child*.

Obtain the claim form from the County Assessor's office where the property is located. Submit the completed form to the same office.

When to File Your Claim

To qualify for relief from the date of transfer, the claim must be filed with the County Assessor:

- Within 3 years of the transfer date, but before transferring the property to a third party.

Relief is still available after 3 years; however, it will only be applied prospectively from the year in which your claim form is filed.





Helpful Hints

- This exclusion is not available for transfers of property between siblings, even if the parent gave or sold the property to the sibling first. *(The portion of the property transferred from your sibling will be reassessed.)*
- The exclusion applies to real property transfers between parents and children, but not to transfers of legal entities between parents and children. For example, if your mother owns ABC Company that owns a building and she transfers all of her corporate voting stock to you, her daughter, the transfer will not qualify for exclusion from reassessment.
- The exclusion applies both ways—it can be applied to either a transfer from a parent to their child or from a child to their parent.
- If you are 55 or older, and selling your principal residence to your child, your child can benefit by transfer of your base year value to them. But you cannot also claim a transfer of base year value to a replacement property you buy under section 69.5.
- If the market value of the transferred property is less than the current assessed value of the property at the time of the transfer, then claiming the exclusion may not be beneficial.
- The one million dollar value cap on a transfer of a non-principal residence property is on the assessed value, not market value.
- The one million dollar cap applies separately to each eligible transferor. For example, a mother and father can each transfer one million dollars of non-principal residence property to their child for a combined total of two million dollars.



Where to Find Additional Information

Visit the State Board of Equalization's website at www.boe.ca.gov for property tax information. Answers to frequently asked questions on the parent-child exclusion can be accessed at www.boe.ca.gov/proptaxes/faqs/propositions58.htm.

Visit the county Assessor's website where the property is located. The State Board of Equalization's website has contact information for each Assessor in California. This listing is available at www.boe.ca.gov/proptaxes/assessors.htm.



INFORMATION SHEET

www.boe.ca.gov/tra

PROPERTY TAX SAVINGS: TRANSFERS FROM GRANDPARENTS TO GRANDCHILDREN

The State Board of Equalization Taxpayers' Rights Advocate Office is committed to helping California taxpayers understand property tax laws, and be aware of exclusions and exemptions available to them.



Transfers of Property From Grandparents to Grandchildren

Did you know that there is an exclusion from reassessment of real property transferred from grandparents to grandchildren if the parents of the grandchildren are deceased?

Revenue and Taxation Code section 63.1 allows property to be transferred from grandparents to grandchildren without reassessment if the parents of the grandchildren are deceased. This exclusion, commonly referred to as [Proposition 193](#), was approved by the voters of California in 1996.

The exclusion is available for the following transfers:

- The transfer of a primary residence (no value limit);
- The transfer of up to one million dollars in assessed value of other real property.

The grandparent-grandchild exclusion is available on transfers from a grandparent or grandparents to their grandson or granddaughter as long as:

- The grandchild's parents are deceased prior to the transfer, or
- The grandparents' child is deceased and the surviving in-law parent has remarried prior to the date of transfer.



Potential for Tax Savings

Property taxes are based on the assessed value of your property. For purposes of property tax assessment in the state of California, real property is reassessed at market value if it is sold or transferred. As a result of the sale or transfer, the assessed value of the property and associated property taxes can sometimes increase significantly.

If the market value of the property at the time of the transfer or sale is more than the property's current assessed value, then savings will result from receiving the grandparent-grandchild transfer exclusion of section 63.1.

If the exclusion is granted, the current assessed value on the property when the property was owned by the grandparents will be the same when the property is owned by the grandchild. For example, if the grandparents purchased the property in 1980 and its assessed value at the time of the transfer to their grandchild was \$100,000; and current fair market value of the property is \$400,000, then the grandchild will be paying less property tax because the assessed value is \$300,000 less than the current market value. This would save the grandchild over \$3,000 in property taxes per year.

How to Apply for the Grandparent-Grandchild Exclusion

Complete form [BOE-58-G](#), *Claim for Reassessment Exclusion for Transfer from Grandparent to Grandchild*.

Obtain the claim form from the County Assessor's office where the property is located. Submit the completed form to the same office.





When to File Your Claim

To qualify for relief from the date of transfer, the claim must be filed with the County Assessor within 3 years of the transfer date, but before transferring the property to a third party.

Relief is still available after 3 years; however, it will only be applied prospectively from the year in which your claim form is filed.



Helpful Hints

- If the property owned by the grandparent is transferred to the grandchildren and their parents are still living, the property will be reassessed at its market value on the date of the transfer.
- The exclusion can only be applied to transfers from grandparents to grandchildren and not the reverse.
- The grandparent-grandchild transfer exclusion applies to real property transfers from grandparents to grandchildren, but not to transfers of interests in legal entities owned by the grandparents. (For example, if your grandmother owns ABC Company that owns a building and she transfers all of her voting stock to you, her grandson, the transfer will not qualify for exclusion from reassessment.)
- If you are 55 or older, and selling your principal residence to your grandchild, your grandchild can benefit by transfer of your base year value to them. But you cannot also claim a transfer of base year value to a replacement property you buy under section 69.5.
- If the market value of the transferred property is less than the current assessed value of the property at the time of the transfer, then claiming the exclusion may not be beneficial.
- The one million dollar value cap on a transfer of non-principal residence property is on the assessed value, not market value.
- The one million dollar cap applies separately to each eligible transferor. For example, a grandmother and grandfather can each transfer one million dollars of non-principal residence property to their grandchild for a combined total of two million dollars.



Where to Find Additional Information

Visit the State Board of Equalization's website at www.boe.ca.gov for property tax information. Answers to frequently asked questions on the grandparent-grandchild exclusion can be accessed at www.boe.ca.gov/proptaxes/faqs/faqspropindex.htm.

Visit the county Assessor's website where the property is located. The State Board of Equalization's website has contact information for each Assessor in California. The listing is available at www.boe.ca.gov/proptaxes/assessors.htm.