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TO COUNTY ASSESSORS:

PARENT-CHILD EXCLUSION – PRINCIPAL RESIDENCE

Effective January 1, 2008, Senate Bill 1045 (Chapter 449 of the Statutes of 2007) and Assembly Bill 402 (Chapter 450 of the Statutes of 2007) both amend Revenue and Taxation Code section 63.1, which excludes from change in ownership transfers of real property between parents and children and, under certain circumstances, transfers of real property from grandparents to grandchildren. Assembly Bill 402 contained double-joining language so that the changes made by Senate Bill 1045 would not be eliminated. As a result, AB 402 became operative because it was chaptered last.

Transfers of real property between parents and children and, under certain circumstances, transfers of real property from grandparents to grandchildren that may be excluded from reassessment include (1) principal residences and (2) the first \$1 million of real property other than principal residences. For purposes of this exclusion, existing law defines a *principal residence* as a dwelling for which a homeowners' or a disabled veterans' exemption has been *granted* in the name of the eligible transferor.

These bills make the following changes to section 63.1, subdivision (b)(1):

For purposes of paragraph (1) of subdivision (a), "principal residence" means a dwelling ~~for which that is eligible for~~ a homeowners' exemption or a disabled veterans' ~~residence~~ exemption ~~has been granted in the name of the eligible transferor as a result of the transferor's ownership and occupation of the dwelling.~~ "Principal residence" includes only that portion of the land underlying the principal residence that consists of an area of reasonable size that is used as a site for the residence.

With these changes, the definition of *principal residence* in section 63.1, subdivision(b)(1) is amended to mean a property that is *eligible* for either the homeowners' or disabled veterans' exemption as a result of the transferor's ownership and occupancy of the dwelling. Thus, to be a *principal residence*, the property in question need not actually be receiving the exemption.

Dwellings that have not been granted either the homeowners' or disabled veterans' exemption may nevertheless be deemed eligible for one of those exemptions for purposes of meeting the definition of "principal residence." To ascertain such eligibility, the assessor should obtain from the transferor sufficient proof that the property was in fact his or her principal place of residence. Proof of residency may include voter or vehicle registration, bank statements, or income tax

records. Additionally, the assessor should verify that the transferor does not have the homeowners' or disabled veterans' exemption on any other property in the state.

If you have any questions regarding the application of the parent-child or grandparent-grandchild exclusion, please contact our Technical Services Unit at 916-445-4982.

Sincerely,

/s/David J. Gau

David J. Gau
Deputy Director
Property and Special Taxes Department

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