



[Senate Bill 974](#) (Seyarto)

Date: March 25, 2026 (Amended)
Program: Property Taxes
Revenue and Taxation Code section 63.2
Effective: Upon enactment, immediately

Ted Angelo (Division Chief) 916-274-3423
Ronil Dwarka (Analyst) 916-274-3391
Ronil Dwarka (Revenue) 916-274-3391
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Summary: Senate Bill (SB) 974 amends section 63.2 of the Revenue and Taxation Code (RTC), which revises the definition of “transfer” for purposes of the intergenerational exclusions provisions of Proposition 19 to specify that an *inter vivos* or testamentary trust includes, but is not limited to, a special needs trust.

Fiscal Impact Summary: No projected revenue impact

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.¹ 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 a 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 up to \$1 million in aggregate value of all other types of property, such as second homes or business properties. RTC section 63.1 implemented both propositions.

Operative February 16, 2021, Proposition 19 replaced the existing parent-child and grandparent-grandchild exclusions 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 (Cal. Const., article XIII A, section 2.1[c] and [d]).² The transferee has one year from the date of transfer to reside in the home to be eligible for the exclusion. [RTC section 63.2](#), which implements the intergenerational exclusion provisions of Proposition 19, allows the family home or family farm to be transferred between parents and children without reassessment, with some market value limitations.

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 before the exclusion may be applied.

¹ (Cal. Const., article XIII A, section [2](#).)

² Section references are to article XIII A of the California Constitution, unless otherwise noted.

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 purposes³ (Section 2.1[c][3] and [e][2]).

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]).

Proposed Law:

SB 974 amends section 63.2 of the RTC, which revises the definition of “transfer” for purposes of the intergenerational exclusions provisions of Proposition 19 to specify that an *inter vivos* or testamentary trust includes, but is not limited to, a special needs trust.

The specific amendment is in RTC section 63.2(e)(9).

- Currently, it reads, “‘Transfer’ includes, and is not limited to, any transfer of the present beneficial ownership of property from an eligible transferor to an eligible transferee through the medium of an *inter vivos* or testamentary.”
- The amendment reads, “‘Transfer’ includes, and is not limited to, any transfer of the present beneficial ownership of property from an eligible transferor to an eligible transferee through the medium of an *inter vivos* or testamentary trust, including, but not

³ 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).

limited to, a special needs trust.”

Effective Date:

This bill would become effective immediately.

Commentary:

- 1. Special Needs Trust Definition.** SB 974 does not define or describe what a special needs trust (SNT) is or provide any details in terms of any criteria or requirement related to an SNT. An SNT is a legal arrangement allowing a person with disabilities to receive income or assets without disqualifying them from essential government benefits like Social Security income or Medicaid. These irrevocable trusts are managed by a trustee who uses funds for supplemental needs not covered by public benefits. These trusts, often overseen by the Department of Health Care Services for first-party trusts, are used for supplemental needs such as therapy, equipment, education, and recreation. There are three types of SNTs: first-party SNTs, third-party SNTs, and pooled SNTs. Each has unique characteristics tailored to different financial and legal circumstances.
 - A first-party SNT is funded using assets belonging to the individual with special needs. This type of trust is typically established when a person with disabilities acquires a financial windfall (such as a personal injury settlement or an inheritance) and wants to maintain eligibility for public benefits.
 - A third-party SNT is a flexible tool that can be funded by assets that belong to someone other than the individual with special needs, typically parents, grandparents, or other family members. This type of trust is commonly used to ensure that an individual with disabilities receives financial support without affecting their needs-based government benefits.
 - A non-profit organization manages a pooled SNT and combines the resources of multiple beneficiaries while maintaining separate accounts for each individual. This type of trust is ideal for those who may not have a family member to serve as trustee or for individuals with smaller assets that need professional management.
- 2. Use of Property.** As currently drafted, there is no provision to waive the principal place of residence requirement under current law. Therefore, hypothetically, property placed in an SNT that is rented out with the intent to use the rental income for the maintenance of the beneficiary would not qualify.
- 3. Author Comment.** SB 974 makes a clarification regarding the protections of Proposition 19 and individuals who are severely disabled covered by an SNT. This measure will protect those individuals from suffering reassessment on their homes that are held in an SNT. The Legislature has ensured several times that administrative uncertainties and legal vagueness should not prevent individuals from meeting Proposition 19 requirements. Individuals who otherwise would inherit a property but cannot due to the needs of an SNT should not lose their Proposition 19 exclusion due to circumstances outside their control.

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.

Costs: BOE estimates the following costs to comply with the requirements of the bill: \$15,000 in fiscal year 26/27, \$5000 in 27/28 and \$2000 in 28/29.

Revenue Impact: No projected revenue impact.

SB 974 is a clarification bill which revises the definition of “transfer” and specifies that an *inter vivos* or testamentary trust includes, but is not limited to, an SNT.