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No. 2009/004

January 21, 2009

TO COUNTY ASSESSORS:

PROCESSING FEE FOR PARENT-CHILD AND  
GRANDPARENT-GRANDCHILD EXCLUSION

Senate Bill 1233 (Stats. 2008, ch. 349) amends section 63.1 of the Revenue and Taxation Code to allow a county board of supervisors to authorize a one-time processing fee of up to \$175 to recover administrative costs to reverse a reassessment of a property that is ultimately eligible for the parent-child or grandparent-grandchild exclusion.

Section 63.1 details the terms and conditions to receive the parent-child change in ownership exclusion. One requirement is that the transferee must file a claim form<sup>1</sup> with the county assessor certifying to the parent-child or grandparent-grandchild relationship and providing specified information.

Subdivision (e) of section 63.1 outlines the periods within which to file a claim. It requires that the claim be filed within three years after the date of the transfer of real property or prior to the transfer of the real property to a third party, whichever is earlier. However, even if a claim is not filed within this period, a claim is considered timely if it is filed within six months after the date the county assessor mails a notice of supplemental or escape assessment informing the taxpayer that the property will be reassessed. If a claim form is made within the above-described periods, then the transfer is excluded from change in ownership as of the initial date the property was transferred, and the reassessment is reversed, if performed. In other words, property tax refunds would be issued for past years if the property was previously reassessed. If all these filing periods are missed, a claim for the exclusion may still be filed at any time; however, the exclusion will only be effective beginning with the lien date of the assessment year in which the claim form is filed.

Effective January 1, 2009, chapter 349 adds subdivision (j) to section 63.1 to allow a county board of supervisors to authorize a one-time processing fee of no more than \$175, to recover costs incurred by the county assessor due to the failure of an eligible transferee to file a claim for the parent-child or grandparent-grandchild change in ownership exclusion after two written requests by the county assessor. The purpose of establishing a processing fee is to create an incentive for property owners to timely respond to requests by the county assessor to file a claim for the parent-child or grandparent-grandchild change in ownership exclusion. Failure to file a timely claim results in a reassessment of the property to current market value as of the date of

<sup>1</sup> BOE-58-AH or BOE-58-G.

transfer. When a claim is subsequently filed, the county assessor must correct the assessment roll(s) to reinstate the lower value if the claimant is eligible for the exclusion.

The processing fee may be levied only if an eligible transferee was previously sent two notices by the county assessor requesting that a claim be filed, to which the transferee did not timely respond. The provisions are:

- ***First Notice of Potential Eligibility.*** The county assessor notified the transferee in writing of potential eligibility for the parent-child or grandparent-grandchild exclusion requesting that a claim be filed within 45 days of the date of the *Notice of Potential Eligibility*.
- ***Second Notice of Potential Eligibility.*** If a claim was not filed within 45 days of the first *Notice of Potential Eligibility*, the county assessor sent a second *Notice of Potential Eligibility* notifying the transferee that a claim was not received and that reassessment of the property will commence unless a claim for exclusion is filed within 60 days of the date of the second *Notice of Potential Eligibility*. The second notice must also indicate that if a claim is filed outside the 60-day period, then a processing fee may apply.

If a transferee files a claim after these time periods, then the processing fee must be submitted with the claim. However, if the transfer of property is not ultimately eligible for the parent-child or grandparent-grandchild change in ownership exclusion, the processing fee must be refunded to the transferee.

The failure of a transferee to file a claim for exclusion within the 45- or 60-day period specified above has no effect on the granting of the exclusion. It only impacts whether an eligible transferee that eventually files a claim for the exclusion is subject to the processing fee. An eligible transferee that files a claim outside of these time periods would still receive the exclusion either on a retroactive or prospective basis depending upon the timing of the claim and the filing provisions specified by section 63.1(e).

A copy of section 63.1(j) is enclosed. If you have any questions regarding this exclusion, please contact our Assessment Services Unit at 916-445-4982.

Sincerely,

/s/ David J. Gau

David J. Gau  
Deputy Director  
Property and Special Taxes Department

DJG:grs  
Enclosure

*Effective January 1, 2009, subdivision (j) is added to section 63.1 as follows:*

(j) (1) If the assessor notifies the transferee in writing of potential eligibility for exclusion from change in ownership under this section, a certified claim for exclusion shall be filed with the assessor within 45 days of the date of the notice of potential eligibility. If a certified claim for exclusion is not filed within 45 days, the assessor may send a second notice of potential eligibility for exclusion, notifying the transferee that a certified claim for exclusion has not been received and that reassessment of the property will commence unless a certified claim for exclusion is filed within 60 days of the date of the second notice of potential eligibility. The second notice of potential eligibility shall indicate whether a certified claim for exclusion that is not filed within 60 days will be subject to a processing fee as provided in paragraph (2).

(2) If a certified claim for exclusion is not filed within 60 days of the date of the second notice of potential eligibility and an eligible transferee subsequently files a claim and qualifies for the exclusion, the assessor may, upon authorization by a county board of supervisors, require an eligible transferee to pay a one-time processing fee, collected at the time the claim is submitted, and reimbursed by the assessor if the claim is ineligible. The fee shall be subject to the provisions of Chapter 12.5 (commencing with Section 54985) of Part 1 of Division 2 of Title 5 of the Government Code and shall not exceed the amount of the actual and reasonable costs incurred by the assessor for reassessment work done due to failure to file the claim for exclusion or one hundred seventy-five dollars (\$175), whichever is less.

(3) The failure to file a certified claim for exclusion within the filing periods specified by this subdivision shall not be construed to limit any exclusion from being granted pursuant to a claim filed within the filing periods specified by subdivision (e).