INFORMATION SHEET

PROPERTY TAX SAVINGS: TRANSFERS FROM GRANDPARENTS TO GRANDCHILDREN
Occurring On or Before February 15, 2021

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 California voters in 1996, and effective through February 15, 2021. For transfers that occur on or after February 16, 2021, under Proposition 19, see Publication 800-2 Information Sheet, *Property Tax Savings: Transfers Between Grandparents and Grandchildren*.

The exclusion under Proposition 193 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 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 three years of the transfer date, but before transferring the property to a third party.

Relief is still available after three 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/countycontacts.htm.*