

Date of Hearing: July 7, 2025

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION
Mike Gipson, Chair

SB 284 (Seyarto) – As Amended June 25, 2025

Majority vote. Tax levy. Fiscal Committee.

SENATE VOTE: 38-0

SUBJECT: Property taxation: change in ownership: family homes and farms

SUMMARY: Provides that a decedent's property does not transfer ownership to an eligible transferee until a specified judicial decree. Specifically, **this bill:**

- 1) Provides that the one-year period to transfer the base year value of a decedent's property to an eligible child or grandchild commences on the effective date of a judicial decree ordering the final distribution of an estate, only if the eligible child or grandchild notify the assessor of the county in which the property is located of the eligible child or grandchild's intention to claim the intergenerational transfer exclusion. This authorization is not to be construed to alter the periods in existing law providing for correction of property tax assessments.
- 2) Excludes from the definition of a change in ownership property that was subject to the intergenerational transfer that is subsequently transferred between eligible transferees, as defined, within one year of the initial transfer.
- 3) Requires the state to reimburse local agencies and school districts, if the Commission on State Mandates determines that this bill contains costs mandated by the state.
- 4) Provides that no appropriation is made, and that the state shall not reimburse any local agency for any property tax revenues lost.
- 5) Takes immediate effect as a tax levy.

EXISTING LAW:

- 1) Provides that all property is taxable unless otherwise provided by the California Constitution or the laws of the United States. (California Constitution, Article XIII, Section 1.)
- 2) Limits the maximum amount of *ad valorem* property taxation to 1% of the full cash value of the property. Generally, the Constitution restricts the full cash value of a property to the assessed value upon a change of ownership in, or new construction on, the property. This is referred to as the base year value, which may be adjusted upwards for inflation at no more than 2% annually. (California Constitution, Article XIII, Sections 1 and 2.)
- 3) Excludes from the definition of change in ownership the purchase or transfer of a family home or family farm to a decedent's eligible child or grandchild. The exclusion is limited to \$1 million of the increase in assessed value upon the purchase or transfer over the property's

base year value; any additional assessed value is subject to taxation pursuant to existing law. To qualify, a decedent's child or grandchild must claim the homeowner's or disabled veteran's exemption upon purchase or transfer. This exclusion applies to both voluntary transfers, and transfers resulting from a court order or judicial decree. (California Constitution, Article XIII A, Section 2.1. and Revenue and Taxation Code (R&TC) Section 63.2.)

- 4) Provides four years for an assessor to correct an error or omission in the valuation of a property if the error or omission is not due to the assessor's value judgment. (R&TC Sections 51.5 and 4831.)
- 5) Provides for the process of final distribution of a decedent's estate. (Probate Code Section 11640.)

FISCAL EFFECT: The Senate Committee on Appropriations, in its analysis of this bill, states the following:

The [State] Board of Equalization's (BOE) revenue estimate for this bill has yet to be determined. However, this bill would result in reduced annual property tax revenues, minimally in the hundreds of thousands of dollars. Reductions in local property tax revenues, in turn, can increase General Fund Proposition 98 spending by up to roughly 50 percent (the exact amount depends on the specific amount of the annual Proposition 98 guarantee, which in turn depends upon a variety of economic, demographic and budgetary factors). BOE would incur minor administrative costs to implement the provisions of the bill.

By changing the duties of local tax officials, this bill creates a state-mandated local program. To the extent the Commission on State Mandates determines that the provisions of this bill create a new program or impose a higher level of service on local agencies, local agencies could claim reimbursement of those costs. The magnitude is unknown (General Fund).

COMMENTS:

- 1) The author has provided the following statement in support of this bill:

SB 284 will clarify that eligible family members who inherit a family home can consolidate ownership under the one-year timeline of Proposition (Prop.) 19. This measure will also provide protections for individuals who are not able to take ownership of a home because of a probate process. By adding clarity to Prop. 19 this measure ensures that families preserve a valuable asset and are not unduly burdened by a tax reassessment.

- 2) The California Alliance of Taxpayer Advocates, writing in support of this bill, states, in part:

As currently interpreted, Prop. 19 has led to unexpected property tax reassessments for families inheriting homes or farms, particularly when estates are subject to lengthy probate proceedings or when multiple eligible heirs wish to consolidate ownership. Under existing law, a beneficiary must move into the inherited home and claim the homeowners' or disabled veterans' exemption within one year of the decedent's death –

timelines that are often unworkable when probate delays ownership or when subsequent transfers among heirs are necessary to settle an estate.

- 3) The California Assessors' Association, writing in opposition to a previous, but substantially similar version of this bill, states, in part:

We request the removal of newly proposed [R&TC] Section 63.2.1. This section introduces an alternate exclusion timeline and procedural track, which would significantly complicate assessor workflows, reduce processing efficiency, and create uncertainty across counties. The administrative burden of this section outweighs its intended benefit and should not be included in this bill.

[R&TC] Section 63.2.1 also introduces the possibility of consolidating ownership among siblings or other relatives during probate, including subsequent transfers after an initial intergenerational exclusion. This creates a new mechanism that allows a series of exclusions, contrary to the one-time nature intended under Prop. 19., and expands the scope of eligible transferees in a way that undermines the law's original framework.

- 4) Committee Staff Comments:

- a) *ACA 11/Proposition 19*: In 2020, the Legislature enacted ACA 11, which voters subsequently approved in November of that year as Prop. 19. Prop. 19 dramatically restructured a number of provisions related to the retention of base year values for properties with certain eligible owners. Prior to Prop. 19, intergenerational base year value transfers were far more generous, allowing the base year value of a decedent's property to transfer to their qualifying child or grandchild, regardless of the property's fair market value, if the property was used as the principal place of residence for both the transferor and transferee. Additionally, \$1 million of the aggregate full cash value of all other real property could be excluded from assessment resulting from a change in ownership. Prop. 19 restricted this exclusion, such that only \$1 million above the principal residence's fair market value just prior to transfer is excluded. Prop. 19 also required that a qualifying transferee must claim the homeowners' or disabled veterans' exemptions within one year of the transfer to qualify for the intergenerational exclusion.
- b) *Disposition of a decedent's estate*: Generally, a deceased person's assets are distributed through a will or by intestate succession. Usually, assets are subject to probate administration, though there are various mechanisms that allow for the transfer of property without undergoing the formal process. These include trusts and small estates, among others. If, however, assets are required to be processed through standard probate administration, it may take years to fully adjudicate the ownership of the assets.
- c) *This bill*: As currently drafted, this bill makes two changes to existing law. The first change would establish that the one-year period to claim an intergenerational transfer exclusion begins on the effective date of a judicial decree ordering final distribution of the estate. This authorization is prohibited from being construed to alter the four-year statute of limitations for an assessor to correct the property tax rolls.

The second change would provide that a property which has undergone an intergenerational transfer may within one-year transfer the property between eligible transferees, without undergoing a change in ownership.

- d) *Too specific?* Commenting on the provisions related to the disposition of a property subject to certain procedures in the Probate Code, the Trusts and Estates Section Executive Committee of the California Lawyers Association (Executive Committee) notes that this bill may be too restrictive in its reference to a specific provision of the Probate Code. Stating that "there are other circumstances in which the ownership of property passing as a result of the decedent's death may not be certain until a court order is issued directing the distribution of property," the Executive Committee suggests amending this bill to provide that any court order entered pursuant to the Probate Code be eligible for this bill's treatment of transfer resulting from probate administration. Committee staff notes that neither the Executive Committee nor the California Lawyers Association have taken a position on this bill.
- e) *Legislative authority:* This bill's authorization to transfer property between the eligible transferees of a decedent whose property was subject to an intergenerational transfer may be subject to legal challenge. While Prop. 19 permitted the Legislature to define an eligible transferee, Prop. 19 also made clear that the transfer must be between eligible parents or grandparents, and their children or grandchildren, respectively. Thus, it is unclear whether the Legislature has the authority to exclude from the definition of a change-in-ownership the transfer of a property between eligible transferees, and this provision may be subject to legal challenge.
- f) *BOE concerns:* The BOE, in its analysis of a previous, but substantially similar version of this bill, notes a number of concerns:
- i) *Administrative concerns:* How will a County Assessor be notified when an affidavit of death is filed which will trigger a change in ownership? Will the Assessor, under the new provision, hold a reassessment in abeyance until an intergenerational transfer is filed and notified of the completion of probate, or will the Assessor reassess the property and then undo the reassessment if the intergenerational transfer is granted?
- ii) *Other concerns:* Proposed R&TC Section 63.2(a)(1)(D) appears to only apply to family homes, and would not apply to family farms. Is this the author's intent?
- g) *SB 293 (Perez):* This bill and SB 293 (Perez) propose to amend the same section of the R&TC. Should both these bills pass this Committee, these bills would need to be amended to ensure no conflict occurs.
- h) *Related legislation:* SB 293 (Perez) would provide that the intergenerational transfer exclusion is timely filed if filed within three years after the date of a mailing of supplemental or escape assessment, as specified. SB 293 is currently on this Committee's Suspense File.

REGISTERED SUPPORT / OPPOSITION:

Support

California Alliance of Taxpayer Advocates

Opposition

California Assessors' Association

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