Understanding Change of Ownership

What constitutes a change in ownership?

If a transfer of real property results in the transfer of the present interest and beneficial use of the property, the value of which is substantially equal to the value of the fee interest, then such transfer would constitute a change in ownership unless a statutory exclusion applies. While a transfer of real property may constitute a change in ownership, the legislature has created a number of exclusions so that some types of transfers are excluded, by law, from the definition of change in ownership. Thus, for these types of transfers, the real property will not be reappraised.

An exclusion occurs when the assessor does not reassess a property because the property or portions of the property are automatically excluded from reassessment or is eligible to be excluded if the owner properly files a claim. The following list covers most changes in ownership that are excluded from reassessment, either automatically or by claim; however, there may be other excludable qualifying transactions not listed here. Thus, you should contact your local assessor or an attorney if you have a specific transaction that you would like to discuss.

Changes in ownership that require a claim to be filed to avoid reassessment include the following:

- Transfers of the principal place of residence between parents and their children (there is no limit on the value of the residence) if a completed application is filed timely with the county assessor's office (Proposition 58).
- Transfers of up to $1 million of real property between parents and their children, other than a principal place of residence, if a completed application is filed timely with the county assessor's office (Proposition 58).
- Transfers of a principal place of residence from grandparents to their grandchildren, but not vice versa (and the transfer of up to $1 million of other real property from grandparents to their grandchildren) provided that:
  - the transfer occurs on or after March 26, 1996;
  - the grandchild(ren)'s parent (grandparent's child) died on or before the date of transfer; and
  - a completed application is timely filed with the county assessor's office (Proposition 193).
- The purchase of a replacement dwelling by a person who is 55 years of age or older, where the replacement dwelling will be that person's principal place of residence and is equal or lesser in value than the original residence. In such cases, the base year value of the previous home may be transferred to the new home so that the new home will not be reassessed to its current fair market value but will be able to retain the old home's base year value. The original and replacement residences must generally be located in the same county; however, as of May 2008, seven counties allow a transfer of the base year value from the original property located in another county to a replacement dwelling located in that county (Proposition 60/90).
- The purchase of a replacement property if the original property was taken by governmental action, such as eminent domain or inverse condemnation (Proposition 3).
- The purchase of a new principal residence by a person who is severely disabled (Proposition 110-same as Propositions 60/90).
- Transfers of real property between registered domestic partners that occurred between January 1, 2000 and January 1, 2006 (section 62(p) of the Revenue and Taxation Code). County assessors are required to reverse any reassessments that resulted from any transfers of real property between registered domestic partners that occurred during this time period if the taxpayer files a timely claim. However, relief for such a reversal is applied only on a prospective basis. The registered domestic partners will not receive any refunds.

Failure to file a Change of Ownership Statement within 90 days after a written request is mailed by the accessor will result with the panalty of $100 or 10 percent of the new base year value resulting from the transfer.