

# A PROPERTY TAX Overview -



## 1. What are the main Propositions that affect property taxes?

**Proposition 13** Established limitations on increases in assessed value and set the maximum general property tax rate at 1 percent

**Proposition 3** Base Year Value Transfer for Property Taken by Governmental Action

**Proposition 8** Reduction in Assessed Value Due to a Decline in Value

**Proposition 58** Reassessment Exclusion for Real Property Transfers Between Parents and Children

**Propositions 60 and 90** Senior Citizen's Replacement Dwelling Benefit

**Proposition 110** Severely and Permanently Disabled Resident Exclusion

**Proposition 193** Reassessment Exclusion for Real Property Transfers from Grandparents to Grandchildren

## 2. What is Proposition 13?

**Proposition 13**, passed in 1978, established the base year value concept for property tax assessments. Under Proposition 13, the 1975-1976 fiscal year serves as the original base year used in determining the assessment for real property. Thereafter, annual increases to the base year value are limited to the inflation rate, as measured by the California Consumer Price Index, or two percent, whichever is less. A new base year value, however, is established whenever a property, or portion thereof, has had a change in ownership or has been newly constructed.

Under Proposition 13, the property tax rate is fixed at one percent of assessed value plus amounts required to repay any assessment bonds approved by the voters.

Reference: Section 2 of Article XIII A of the California Constitution.

## 3. What is Proposition 3?

**Proposition 3** provides the transfer of a property's adjusted base year value to a replacement property when a property has been taken by eminent domain proceedings, acquisition by a public entity, or governmental action resulting in a judgment of inverse condemnation. Specific requirements must be met.

Reference: Section 2(d) of Article XIII A of the California Constitution and section 68 of the Revenue and Taxation Code.

## 4. What is Proposition 8?

**Proposition 8** requires the county assessor to annually enroll either a property's adjusted base year value (Proposition 13 value) or its current market value, whichever is less. When the current market value replaces the higher Proposition 13 value on the assessor's roll, that lower value is commonly referred to as a Prop 8 value.

Although the annual increase for a Prop 13 value is limited to no more than two percent, the same restriction does not apply to values adjusted under Prop 8. The market value of a Prop 8 property is reviewed annually as of January 1; the current market value must be enrolled as long as the Prop 8 value still falls below the Prop 13 value. Thus, any subsequent increase or decrease in market value is enrolled regardless of any percentage increase or decrease. When the current market value of a Prop 8 property exceeds its Prop 13 value (adjusted for inflation), the county assessor reinstates the Prop 13 value.

Reference: Section 2(b) of Article XIII A of the California Constitution and section 51 of the Revenue and Taxation Code.

## 5. What are Propositions 58 and 193?

**Proposition 58** provides for an exclusion from reassessment real property transfers between parents and children. Proposition 193 expands this tax relief to include certain transfers from grandparents to their grandchildren (transfers from grandchildren to grandparents are not eligible). Specific requirements must be met.

Reference: Section 2(h) of Article XIII A of the California Constitution and section 63.1 of the Revenue and Taxation Code.

