

PROPOSITIONS 60 AND 90 - CA

When a California homeowner sells his principal residence and purchases a new principal residence, he generally pays property taxes on his new home based on its purchase price. Homeowners age 55 and over may be able to qualify for an exemption to this rule.

This exemption allows certain homeowners, age 55 and over, to transfer the assessed value of their old principal residence to a new principal residence as long as (1) their new residence is located in the same county as the old residence and (2) certain other criteria are met. This exemption is commonly called the "Proposition 60" exemption.

There is also another similar exemption that allows homeowners age 55 and over, to buy a new residence in another county and avoid a property tax reassessment. That exemption is commonly called the "Proposition 90" exemption.

Prop 60 - Both the seller and the residence must meet certain requirements:

Requirements of the Seller -

On the date of the sale of the old principal residence, the seller, or at least one spouse if the house is being sold by a married couple, has to be 55 years of age or older. The seller who is 55 or over generally has to be residing in the house.

If a principal residence is co-owned by non-married individuals and one of the co-owners is over 55 and residing in the residence, then the exception may apply to the individual who is over 55.

This exemption can generally be claimed only once. If an individual has claimed this exemption and then gets married or divorced, the rules are more complex and you should consult your tax advisor.

Requirements of the Property -

In determining whether an owner is eligible for this exemption, assessors will usually look to see that the original property was eligible for the homeowner's exemption at the time the old residence is sold and that the new residence is eligible for the homeowner's exemption at the time the benefit is claimed. This helps prove that the residence was in fact the taxpayer's principal residence. An example of some types of property that can qualify as principal residences are single-family houses, stock co-ops, condominiums, and certain owner occupied units that are part of a multi-unit building.

The new residence is required to be purchased or constructed within two years before or after the sale of the old residence. The purchase price of the new principal residence generally has to be equal to or less than the sales price of the old principal residence. In most situations, the sales prices of both the old and new residence are the only two values that need to be compared. However, the law technically requires the assessor to compare the full market value as determined by the assessor, of both the old and new residences to determine if the exemption is met.

Inflation Adjustment -

When the new residence is purchased within the first year after the sale of the old residence, the purchase price of the new residence may exceed the old residence's selling price by no more than 5 percent.



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Additionally, when the new residence is purchased between one and two years after the sale of the old residence, the sales price of the new residence can exceed the old residence's selling price by no more than 10 percent. These percentages may change, so please check with your local assessor's office before taking any action. Homeowners who purchase new residences before they sell their old ones can receive the exemption only on their new residence once they sell their old residence, and they are not allowed to use this inflation adjustment rule.

Proposition 90 - Transfers to Different Counties:

To further the ability of California homeowners age 55 and over to transfer their assessed values to their new residences, voters passed Proposition 90. This proposition allows a homeowner age 55 and over to transfer the assessed value of his old principal residence to his new residence located in a different county if that county has elected to participate in the Proposition 90 program.

Under this law, a county's board of supervisors can elect to have their county be a qualified participating county. Homeowners can then purchase their replacement residence in any participating county. All of the requirements discussed above for Proposition 60 still must be met to qualify for this exemption.

As of 2004, counties accepting inter-County Proposition 90 transfers were: Alameda, Los Angeles, Modoc, Orange, San Diego, San Mateo, Santa Clara, and Ventura.

NOTE: Counties can opt out of the plan so you should check with the county assessor for the county in which you are planning to purchase your property to see if they participate.

