

Did You Complete the "Homeowner's Exemption" on Your Residential Property Tax Bill?

By R. Zebulon Law, Partner, LL.M., CPA



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INTERNET COPY 2015-16 SECURED PROPERTY TAX BILL

For Fiscal Year Beginning July 1, 2015 and Ending June 30, 2016

ASSEESSEE NAME AND ADDRESS ARE NOT AVAILABLE
ONLINE PER CA GOV CODE §6254.21

DID YOU KNOW?

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PROPERTY LOCATION

ASSESSED VALUES & EXEMPTIONS AS OF JANUARY 1, 2015

DESCRIPTION	FULL VALUE	COMPUTED TAX
LAND	386,970	
IMPROVEMENTS - BUILDING	74,633	
TOTAL VALUES:	461,603	5,550.02
HOMEOwner EXEMPTION	-7,000	-76.06
TOTAL NET TAXABLE VALUE:	454,603	5,473.96

OWNER OF RECORD AS OF 12:01 AM, JANUARY 1, 2015

ASSEESSEE NAME AND ADDRESS ARE NOT AVAILABLE ONLINE PER CA GOV CODE §6254.21

PARCEL NO. (APN)	TAX RATE AREA	1st Installment DUE 11/1/15	+	2nd Installment DUE 2/1/16	=	TO PAY BOTH INSTALLMENTS BY 12/10/15
	12-024	\$2,736.98		\$2,736.98		\$5,473.96

IMPORTANT INFORMATION

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ONLINE PER CA GOV CODE §6254.21

VOTER APPROVED TAXES AND SPECIAL ASSESSMENTS

SERVICE AGENCY	RATE	VALUE	TAXES
BASIC LEVY RATE	1.00000	454,603	4,546.03
LOS ALAMITOS SFD #1	.05279	454,603	237.25
COAST COMM COLLEGE DBT	.03092	454,603	140.57
METRO WATER D-MWDC	.00350	454,603	15.91
SPECIAL ASSESSMENT CHARGES		PHONE NO.	
M030 FIRE ANT ASSMT		(800)273-5167	6.02
VECTOR CONTROL CHG		(800)273-5167	1.92
MWD WATER ST DBY CHG		(866)807-6864	10.00
LIGHTING MAINT		(866)807-6864	21.86
LOS ALAMITOS USD CF D 90-1		(562)799-4700	172.32
OCS D SEWER USER FEE		(714)593-7281	322.00

Under Prop 19, the "Homeowners Exemption" Allows for Reduction in Property Value for Tax Purposes

We have received numerous calls on how the recently passed Proposition 19 will impact residential property taxes when handed down to children and beneficiaries.

In response to these questions and more, Partner, estate planning attorney and tax planning attorney, R. Zebulon Law (aka, "Zeb"), sent a letter to our clients that we wanted to share with you.

So grab your latest residential property tax bill and take a look to see if this affects you and your beneficiaries.

Remember, the **deadline to achieve these potential tax breaks is February 11, 2021*** so please reach out to us well before this date so we can help with your estate plan and tax planning strategies.

* The Proposition 19 law takes effect February 16, HOWEVER, the actual deadline to submit changes is February 11 because the recorder's office is closed Feb. 12 (Lincoln's birthday) and Feb. 15 (President's Day). As a result, the last day deeds can be recorded before Proposition 19 takes effect is February 11.

Please forward this on to anyone you think may benefit from this information.

December 21, 2020

RE: Prop 19 Tax Planning

Dear Client,

Our office is sending you this letter because we have received several questions lately from clients asking whether their property taxes are going to increase under Proposition 19.

In general, Proposition 19 (which passed in November) expanded the so-called "55 and over" exemption so that California residents aged 55 and over can carry over their property tax base to more properties than under the old law. It also expanded the use of this exception for people with disabilities and added people who have been involved with a natural disaster.

However, Proposition 19 reduced and/or repealed most of the other exceptions applicable under current law to transfers of properties from parents to children. In particular, Proposition 19 will result in increased property taxes in many instances at the death of a parent who owns real estate.

For example, right now, parents can give, sell, or bequeath an unlimited amount of value to children in cases where the family residence is being transferred. In addition, parents can give up to \$1 million of assessed value of other real estate to children with no property tax ramifications.

Both of these major tax benefits have been changed under Proposition 19. After February 16, 2021, only personal residences will be able to use the "parent to child" exemption. Even in the case of a personal residence, the exemption is no longer unlimited. Once the law takes effect, property tax can only be carried over where the appreciation in the house is \$1 million dollars or less. For example, if a house has an assessed value of \$600,000 at the parent's death, then up to \$1.6 million dollars of fair market value would result in no property tax reassessment (the tax increases on a pro-rata basis above that amount).



Transfers of all other properties to children, which under current law would be exempt from property tax changes if the assessed value was less than \$1 million, will now be reassessed to fair market value.

In other words, the Proposition 19 law changes will often lead to much higher property taxes at the death of a parent.

Example: Assume that mom and dad bought a house in the 1980's for \$400,000 which they kept as their family home. Assume that house is now worth \$4 million dollars. The parents are probably paying around \$5,000 per year in property tax. After February 16, 2021, when the parents pass away, the property will be revalued, and everything above \$1,400,000 will result in a higher property tax. The resulting property tax bill would probably be around \$36,000 per year.

We want to make our clients aware that in order to use this limited property tax exemption, you must make sure that you have checked the box for the "homeowner's exemption" for property taxes (refer to the yellow star in the sample property tax bill image at the top of this newsletter).

This homeowner's exemption is not a widely known concept. It is basically a box that you check on a property tax form to let the county know you are using that house as your personal residence. It allows you to reduce the value of the house for property tax purposes by around \$7,000.

What is really important is that under Proposition 19, if the box is not checked, the children will not be able to use any property tax exemption whatsoever, even on a personal residence. Please review your recent property tax records to make sure you have checked the homeowner's exemption box for your personal residence.



As for all other real estate, there is a narrow window of planning that is available between now and February 11, 2021 to be able to plan for real estate transfers to the children under the current law. Depending on the situation, it could save tens of thousands or hundreds of thousands of dollars when tax planning is completed correctly.

The main items to consider are:

1. Is there a big difference between the current assessed value of the property and its fair market value?
2. Upon the death of a parent, would the children be interested in retaining the property for a long period of time, or would they be selling the property?

In cases where there is a big difference between the assessed value and fair market value, and where the children intend to keep the family property for a long time, it may be appropriate to **consider planning between now and February 11, 2021**. Please feel free to contact our office for additional information.

Very Truly Yours,

R. Zebulon Law, Esq.



We look forward to serving you & wish you the best

We continue to work for new and existing clients during COVID-19 (coronavirus) while placing safety and health as a priority.

We are happy to accommodate your needs, including Facetime, SKYPE and ZOOM for virtual, face-to-face connections.

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