



# WHAT TO KNOW ABOUT PROPOSITION 13

## WHAT IS PROPOSITION 13?

In 1978, California Voters passed Proposition 13, which substantially reduced property tax rates. As a result, the maximum levy cannot exceed 1% of a property's assessed value (plus bonded indebtedness and direct special assessment taxes). Increases in assessed value are limited to 2% annually except when property changes ownership or the property undergoes new construction.

## HOW DOES THE ASSESSOR KNOW WHEN THERE IS A CHANGE IN OWNERSHIP?

When there is a recorded transfer that occurs in the public records, the Assessor is notified and receives a copy of the deed. The Assessor then determines whether a reappraisal of the property is required under the State law. If the transfer is deemed to constitute a reappraisal, the date of reappraisal is generally the recording date of the deed that transferred the ownership. However, the reappraisal of property acquired by inheritance from an estate or living trust occurs as of the date of death of the property owner, not as of the date of distribution to the beneficiary. If required, an appraisal is made to determine the new market value of the property.

Typically, the transfer of the property between husband and wife, and registered domestic partners does not cause a reappraisal for property tax purposes. This includes transfers resulting from death, divorce, or termination of domestic partnership. Also, the addition of joint tenants whether related or not, does not result in a reappraisal.

In most cases, transfers by irrevocable trusts are reappraisable. There are several exclusions for certain qualified situations. A consultation with your accountant and/or a consultation with the County Assessor's representative would need to be conducted to see if the transfer falls under the County's Tax Saving program under the State law.

Upon notification of the new assessment, the property owner has the right to appeal the value if he/she does not agree with it.

In most sale transactions, a supplemental bill is issued for the new value. This is the reassessment from the old ownership to the new ownership for the remainder of the tax fiscal year. The fiscal tax year runs from July 1 through June 30.

## HOW DOES THE ASSESSOR KNOW WHEN THERE IS NEW CONSTRUCTION?

Copies of building permits are also sent to the Assessor. New buildings, additions, and other structures require a reappraisal. However, structural repairs and/or replacement are not considered re-appraisable in most cases.

When there is a reappraisal, typically, the value of the new construction is added to the existing improvement assessed value. The new assessed value will not change except for the annual inflation adjustment of up to 2%.

As in sale transactions, a supplemental bill can be issued for the new value. This is the reassessment from the old value to the new value for the remainder of the fiscal tax year. The fiscal tax year runs from the same time frame as on a sale. That time frame is from July 1 through June 30.

As with all newly assessed values the property owner has the right appeal the value.

**If you would like to see a copy of your tax roll, please reach out to your California Title Company Sales Representative.**

Source: Los Angeles County Assessor

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