
SENATE COMMITTEE ON REVENUE AND TAXATION

Senator Jerry McNerney, Chair
2025 - 2026 Regular

Bill No: SB 288
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Consultant: Grinnell

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Tax Levy: No
Fiscal: Yes

PROPERTY TAXATION: CHANGE IN OWNERSHIP: FAMILY HOMES AND FARMS

Deems the date of transfer to occur as of the effective date of a court's determination regarding the final ownership of inherited property, rather than the date of death, for purposes of Proposition 19's intergenerational transfer change in ownership exclusion.

Background

Section One of Article XIII of the California Constitution provides that all property is taxable unless explicitly exempted by the Constitution or federal law. The Constitution limits the maximum amount of any ad valorem tax on real property at 1% of full cash value, plus any locally authorized bonded indebtedness, and caps a property's annual inflationary increase in taxable value to 2% (Article XIII A, as added by Proposition 13 of 1978). Assessors reappraise property whenever it is purchased, newly constructed, or when there is a change in ownership. The Constitution and statute define those terms.

Change in ownership. State law defines a change in ownership as a transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee interest. A change in ownership results in the establishment of a new base year value for the portion of a property that has undergone such change in ownership, unless an exclusion applies.

Change in ownership exclusions. Since voters approved Proposition 13, either voters or the Legislature (or both together) have enacted changes in ownership exclusions for certain transfers. Among these, the Legislature enacted, and voters approved, two changes in ownership exclusions for transfers of property from one generation to the next, known as "intergenerational transfers." Proposition 58 (1986) excluded transfers of property from parents to children from change in ownership (ACA 2, Hannigan). Ten years later, Proposition 193 extended the exclusion to transfers of property to grandchildren, provided the parents are deceased (ACA 17, Knowles). These two changes created an exclusion to the requirement that property be reassessed when a change in ownership occurs and apply when property is passed down (parent to child; grandparent to grandchild) or passed up (child to parent). These exclusions applied to all inherited primary residences, regardless of value or number of transfers, and to up to \$1 million in aggregate value of all other types of property, such as second homes or business properties.

ACA 11/Proposition 19. In 2020, the Legislature enacted, and voters approved as Proposition 19, the Home Protection for Seniors, Severely Disabled, Families, and Victims of Wildfire or Natural Disasters Act (ACA 11, Mullin). Among other provisions, the Act added a new section

to the California Constitution to limit the parent-child and grandparent-grandchild exclusion enacted by Propositions 58 and 193. Specifically, the exclusion now applies only to the transfer of a principal residence when the property continues as the primary residence of the transferee. The transferee has one year from the date of transfer to reside in the home to be eligible for the exclusion. Additionally, the Act repealed the parent-child, grandparent-grandchild exclusion for up to \$1 million in aggregate value of all other types of property that is not the principal residence entirely. Among other requirements for the exclusion to apply, the Act requires the principal residence of the transferor to become the principal residence of the transferee, and for the transferee to claim the homeowners' or disabled veteran's exemption at the time of transfer. Lastly, Proposition 19 caps the amount of value that can be excluded to \$1 million, or \$10,000 in tax at the 1% rate, even if the transfer meets all other requirements. These changes became effective February 15, 2021.

After the enactment of Proposition 19, the Legislature enacted an omnibus bill to resolve several administrative uncertainties, largely based on similar law implementing Propositions 58 and 193 (SB 539, Hertzberg). Among other requirements, SB 539 codified Proposition 19's requirement that the transferee claim the homeowners' or disabled veteran's exemption at the time of transfer to apply the exclusion. Additionally, SB 539 reinforced the requirement for the transferee to file for the homeowners' or disabled veterans' exemption within one year of transfer and remove the exclusion as of the date the property is no longer the principal residence of the transferee.

Death of property owner. When a person dies, their assets are generally distributed through a will or by intestate succession and are usually subject to probate administration. There are various other ways to transfer property outside of formal probate administration, such as trusts, payable on death accounts, revocable transfer on death deeds, joint tenancy with right of survivorship, community property with right of survivorship, and small estates.

For property tax purposes, the law generally considers a decedent's real property and manufactured homes to have changed ownership as of the date of death, and the property is subject to reassessment as of that date unless an exclusion applies. This treatment applies regardless of whether the decedent's property is inherited through a trust, a will, intestate succession, revocable transfer on death deed, or is subject to probate administration. The date of death applies for reassessment purposes even if the beneficiary is officially recorded as the new owner of the property at a later date. For trusts, state law specifically provides that a change in ownership occurs when any interests in real property vest in persons other than the trustor or the trustor's spouse or registered domestic partner when a revocable trust becomes irrevocable, which is generally the trustor's date of death.

Resolving a decedent's estate can take time. For example, the entire Probate process generally takes 9 to 18 months and can sometimes take even longer. While beneficiaries can occupy a property under certain circumstances, they generally cannot occupy or own the property until a Court issues its order. As a result, many beneficiaries cannot claim the homeowners' exemption within one year, so therefore cannot claim a Proposition 19 intergenerational change in ownership exclusion even when they're otherwise eligible.

The author wants to ensure that eligible transferees who want to claim an intergenerational transfer are not prevented from doing so because ownership of the property has not been granted by a court within one year of the transferor's death.

Proposed Law

Senate Bill 288 deems the date of transfer to occur as of the effective date of a probate court's determination of the final ownership of property, not the date of death, for purposes of Proposition 19. SB 288 applies in the event of the death of the transferor, and notwithstanding any other law. The measure clarifies that it shall not be construed to alter the duration for corrections of property tax assessments under current law. Transferees must notify the assessor within one year of the death of the transferor of their intent to claim a transfer, on a form designed by Board of Equalization.

State Revenue Impact

Pending.

Comments

1. **Purpose of the bill.** According to the author, "SB 288 will provide protections for individuals who are not able to take ownership of a home because of a probate process. By adding clarity to Prop 19 this measure ensures that families preserve a valuable asset and are not unduly burdened by a tax reassessment because of a legal process with timelines outside their direct control."
2. **Timing is everything.** Proposition 19 inserted stringent new requirements for intergenerational transfers into the Constitution without authorizing the Legislature to modify them. These requirements significantly limited the ability of individuals who inherit property from transferring its base year value compared to Propositions 58 and 193, resulting in inheritors either maintaining ownership of the property and paying higher property taxes or selling it if they do not reside there. Specifically, inheriting transferees must reside in the family home within one year of the transferor's date of death to claim a transfer. However, when a property is subject to Probate proceedings, transferees may be legally barred from complying with this requirement until the court determines its ownership. SB 288 seeks to resolve this problem by specifying that, in the case of a transferor's death, the date of transfer is not the date of death that is the default for property tax purposes, but instead the date of the probate court's order. While the measure departs from this default rule, it may be the only way to allow transferees who want to comply with Proposition 19 to claim the transfer.
3. **Do it again.** Last year, the Senate approved SB 284 (Seyarto), which made two changes: First, it would have provided a second change in ownership exclusion between eligible transferees within one year of the date of the initial transfer under Proposition 19. Second, it would have provided that the one-year period for an eligible transferee to file for a homeowner's or disabled veteran's exemption for purposes of claiming a Prop. 19 intergenerational transfer exclusion commences on the date of the probate court's final order for purposes of claiming the intergenerational transfer exclusion. While this bill does not propose a similar second change in ownership exclusion, it is substantially similar to SB 284's second part. However, SB 288 applies more broadly by applying to any case in which a court determines final property ownership after the death of the transferee, not just for final judicial decrees under the Probate Code. The Assembly Revenue & Taxation Committee held SB 284 on its suspense file.
4. **Related legislation.** Last year, the Legislature enacted SB 293 (Perez), which extends the current deadline for taxpayers to retroactively apply a Proposition 58, 193, or 19

intergenerational transfer from six months to three years under specified circumstances resulting from the 2025 Los Angeles Fires.

5. Mandate. The California Constitution requires the state to reimburse local governments for the costs of new or expanded state-mandated local programs. Because SB 288 changes how assessors value real property, Legislative Counsel says that this bill imposes a new state mandate. The measure provides that the state shall not reimburse local agencies for property tax revenue losses, instead stating that, should the Commission on State Mandates determine that the bill imposes a reimbursable mandate, reimbursement must be made pursuant to existing statutory provisions.

6. Technical. Currently, SB 288 sets a different date of transfer in the case of a transferor's death; however, it's likely better to instead specify that Prop. 19's one year period is measured from a different date rather than setting a different date of transfer that would otherwise apply. Additionally, because SB 288 applies notwithstanding any other law, it may (1) refer to a non-existent date when a transferor dies but a court proceeding does not ensue, and (2) apply to proceedings outside the Probate Code. The Committee may wish to consider replacing the bill's current addition of R&T §63.2(a)(1)(D) to instead read:

“Notwithstanding any other law, in the event of the transfer as a result of an eligible transferor by an order entered pursuant to the Probate Code, the one-year period described in subparagraph (A) or (B) shall be deemed to commence as of the effective date of the order entered into pursuant to the Probate Code.”

Support and Opposition (1/8/26)

Support: Howard Jarvis Taxpayers Association.

Opposition: None received.

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