
CONSENT

Bill No: SB 974
Author: Seyarto (R)
Amended: 3/25/26
Vote: 21

SENATE REVENUE AND TAXATION COMMITTEE: 5-0, 4/8/26
AYES: McNerney, Alvarado-Gil, Ashby, Becker, Grayson

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

SUBJECT: Property taxation: change in ownership: generational transfers:
special needs trusts

SOURCE: Author

DIGEST: This bill modifies the definition of “transfer” in statute implementing Proposition 19 to explicitly state that other forms of trusts can qualify for the exclusion, specifically Special Needs Trusts.

ANALYSIS:

Existing law:

- 1) Provides that all property is taxable unless explicitly exempted by the Constitution or federal law (California Constitution, Article XIII, Section One).
- 2) 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%. Provides that assessors reappraise property whenever it is purchased, newly constructed, or when ownership changes (California Constitution, Article XIII A, as added by Proposition 13, 1978).
- 3) Defines “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.”

- 4) Enacts change in ownership exclusions for transfers of property from one generation to the next, specifically:
 - a) Transfers of property from parents to children (Proposition 58, 1986).
 - b) Transfers of property to grandchildren, so long as the parents are deceased (Proposition 193, 1996).
- 5) Enacts the Home Protection for Seniors, Severely Disabled, Families, and Victims of Wildfire or Natural Disasters Act, which limits the above exclusions solely to the transfer of a principal residence when the property continues as the primary residence of the transferee, and requires the transferee to claim the homeowner's exemption from property tax at the time of transfer or within one year to apply the exclusion (Proposition 19, 2020).
- 6) Implements Proposition 19 to set forth definitions, requirements, limitations, and procedures for claiming a change in ownership exclusion for transfers of property from one generation to the next, based on similar statutes implementing Propositions 58 and 193 (SB 539, Hertzberg, Chapter 427, Statutes of 2021).
- 7) Defines "trust" to include a transfer through the medium of an *inter vivos* or testamentary trust to ensure that these transfers are eligible for Prop. 19 intergenerational transfers.

This bill modifies the definition of "transfer" in statute implementing Proposition 19 to explicitly state that other forms of trusts can qualify for the exclusion, specifically Special Needs Trusts (SNTs).

Background

Often used to transfer property from one generation to the next, trusts are specific legal agreements to hold and administer property, in which a trustee manages property on behalf of others. Trusts allow grantors to pass assets to future generations while avoiding lengthy and costly probate proceedings. Trusts must identify:

- The creator of the trust, known as the trustor or grantor.
- The manager of the trust, known as a trustee or fiduciary.
- The beneficiary or beneficiaries who will receive property from the trust.

- The property the trust manages.

A Special Needs Trust is a trust that allows disabled persons to maintain their eligibility for public assistance benefits, despite having assets that would otherwise make the person ineligible for those benefits, specifically Medicaid and Supplemental Security Income. Because the beneficiary does not own the trust assets, they remain eligible for benefit programs that apply asset limits.

For the most part, a trustor transferring property to a trust is treated as a change in ownership at the time of transfer, triggering a reassessment of the property held by the trust, with several exceptions. According to Board of Equalization (BOE) Rule 462.010, the transfer of real property by a trustor to a trust in which the trustor-transferor is the sole present beneficiary of the trust is not a change in ownership, but generally becomes one when persons other than the trustor-transferor are or become present beneficiaries of the trust. BOE guidance states that assessors can look through a trust to its beneficial owners to determine whether an exclusion applies, such as a Prop. 19 intergenerational transfer, so long as the trustee or trustor submits a timely exclusion claim. While SB 539 includes trusts in its definition of “transfer” it did not explicitly include SNTs.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

SUPPORT: (Verified 4/21/26)

Peter Aldana, Riverside County Assessor - County Clerk – Recorder
Association of Regional Center Agencies
California Taxpayers Association
City of Temecula

OPPOSITION: (Verified 4/21/26)

None received

ARGUMENTS IN SUPPORT: According to the author, “SB-974 provides important clarification to Proposition 19 by ensuring that Special Needs Trusts are recognized as meeting eligibility requirements for property tax protections. This will ensure that families planning for the long-term care of a severely disabled loved one are not unfairly penalized with property tax reassessment.”

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