SENATE THIRD READING
SB 974 (Seyarto)
As Amended June 18, 2026
Majority vote

SUMMARY

Provides that a special needs trust, established pursuant to existing law, is an eligible medium of transfer, for the purposes of the intergenerational transfer exclusion.

Major Provisions

COMMENTS

1) *ACA 11/Proposition 19 (Prop. 19)*: In 2020, the Legislature enacted ACA 11 (Mullin) Chapter 31, Statutes of 2020, which voters subsequently approved in November 2020 as Prop. 19. Prop. 19 dramatically restructured a number of provisions related to the retention of base year values for properties with certain eligible owners. Prior to Prop. 19, intergenerational base year value transfers were far more generous, allowing the base year value of a decedent's property to transfer to their qualifying child or grandchild, regardless of the property's fair market value if the property was used as the principal place of residence for both the transferor and transferee. Additionally, $1 million of the aggregate full cash value of all other real property could be excluded from assessment resulting from a change in ownership. Prop. 19 restricted this exclusion, such that only $1 million above the principal residence's taxable value just prior to transfer is excluded. Any increase in the amount of taxable value above $1 million is added to the adjusted base year value of the property, and the resulting sum becomes the property's new base year value.

2) *Disposition of a decedent's estate*: Generally, a deceased person's assets are distributed through a will or by intestate succession. Usually, assets are subject to probate administration, though there are various mechanisms that allow for the transfer of property without undergoing the formal process. These include trusts and small estates, among others. There are various types of trusts and Section 401 of the Assessors' Handbook lists four overarching types of trust. *Inter vivos*, or living, trusts take effect during the life of the trustor, the person who establishes the trust and transfers assets into the trust. *Inter vivos* trusts may be revocable or irrevocable. A revocable trust is created during the life of the trustor, and the trustor retains beneficial ownership and control of the property in the trust. An irrevocable trust requires the trustor to forgo control of the property transferred into the trust and the trustor may not revoke or amend the trust after establishment. Finally, a testamentary trust is created by will and takes effect only upon the death of the trustor. Testamentary trusts may only be irrevocable[1].

3) *Special needs trust*: Special needs trusts are established for the purposes of allowing disabled persons to maintain eligibility for means-tested public assistance programs, despite having assets in excess of eligibility thresholds for those programs. In a special needs trust, the

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[1] BOE, *Change in Ownership*, Assessors' Handbook, Section 401, published September 2010, https://www.boe.ca.gov/proptaxes/pdf/ah401.pdf, accessed June 2026.

disabled person, or beneficiary, does not hold legal title to the trust assets. Rather, the trustee holds title and ownership of the property for the beneficiary. Thereby, the disabled person does not exceed maximum value thresholds for asset ownership under programs like Social Security Income or Medicaid.

4) *Clarification or duplication*: Existing law provides that *inter vivos* trusts and testamentary trusts are eligible mediums of transfer under the intergenerational transfer exclusion. Additionally, existing law provides that the intergenerational transfer exclusion applies to both voluntary transfers and transfers resulting from a court decree. While a special needs trust is not specifically delineated, it would appear that existing law already authorizes a special needs trust as an eligible form of transfer. The author would, however, like to provide abundant clarity in the statute that a special needs trust qualifies.

According to the Author
SB 974 provides important clarification to [Prop.] 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 severely disabled loved ones are not unfairly penalized with property tax reassessment.

Arguments in Support

Parents Helping Parents, writing in support of this bill, states, in part:

> The recent amendments provide helpful clarification that special needs trusts are among the trust arrangements eligible for purposes of the applicable property tax exclusion. This clarification may provide greater certainty for families seeking to preserve housing stability and other assets that support future generations.

Arguments in Opposition
None on file

FISCAL COMMENTS

The Assembly Committee on Appropriations estimates the following fiscal impact in its analysis of this bill:

1) No property tax revenue loss, as the State Board of Equalization (BOE) notes this bill clarifies a special needs trust is an eligible medium of transfer under existing law.

2) Costs of approximately $15,000 in fiscal year (FY) 2026-27, $5,000 in FY 2027-28, and $2,000 in FY 2028-29 to the BOE to update and provide related guidance.

VOTES

SENATE FLOOR: 37-0-3
YES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Padilla, Pérez, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Weber Pierson, Wiener
ABS, ABST OR NV: Ochoa Bogh, Reyes, Wahab

ASM REVENUE AND TAXATION: 7-0-0
YES: Gipson, Sanchez, Carrillo, DeMaio, McKinnor, Quirk-Silva, Michelle Rodriguez

ASM APPROPRIATIONS: 11-0-4
YES: Wicks, Hoover, Arambula, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Solache, Ta
ABS, ABST OR NV: Calderon, Pellerin, Sharp-Collins, Tangipa

UPDATED

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