

C.A.R.'s Portability Initiative

Campaign Talking Points

- **GOAL: To create homeownership opportunities for young families and preserve tax savings for seniors.**
- Proposition 13. California's property tax system is based on the purchase price of a home. Proposition 13 caps property taxes at 1 percent of the purchase price (Prop. 13 property tax base).
- Moving Penalty. When a homeowner relocates, their property taxes will be 1 percent of the purchase price of the replacement home. As a result, homeowners' property taxes generally increase when they move.
- Seniors. In California, homeowners 55 years of age or older can transfer their Prop. 13 property tax base – only once – to a replacement home located in the same county so long as the purchase price for the replacement is equal to or less than the sale price of the original residence. These homeowners can also transfer their Prop.13 property tax base to a home located in a county that has agreed to the transfer (only 11 counties have agreed to inter-county transfers).
- Data. Data shows that homeowners are very aware of how their property taxes will increase when they move. As a result, almost three-quarters of homeowners 55 years of age or older have not moved since 2000!
- Research. Because of the housing supply shortage, 65% of starter homes are selling at or above the asking price which makes it very difficult for first-time homebuyers to enter the market.
- C.A.R.'s Initiative. C.A.R.'s Portability Initiative would allow homeowners 55 years of age or older to transfer their Prop. 13 property tax base to a home of any price, located anywhere in the state, any number of times.
- Buy Up. For example: Homeowner originally bought for \$100K (\$1K/year for property taxes), subsequently sells for \$300K, and buys a replacement home for \$400K. The \$100K difference between \$300K and \$400K is added to the original Prop. 13 property tax base of \$100K for a new Prop.13 tax base of \$200K (\$2K/year for property taxes). Under existing law, this transfer could not be made and the Prop. 13 tax base would be \$400K (\$4K/year for property taxes).

- Buy Down. Returning to the example: If a homeowner buys a less expensive home, for example for \$200K, the property taxes will be proportionally the same as for the original home. In other words, if the tax base was one-third of the sales price, the new property tax base would be a third of the new sale price (i.e., 1/3 of \$200K = \$67K or \$670/year for property taxes). Buying down reduces the homeowner's annual property tax bill.
- Arguments in Favor:
 - No moving penalty. The initiative keeps senior homeowners' property taxes low when they move.
 - Increased supply. As senior homeowners move, they create housing opportunities for younger, growing families and first-time homebuyers that don't exist today.
 - Local finances. When a senior moves out and a young family moves in, the tax revenue to the locality annually increases.