C.A.R.'S PORTABILITY INITITIAVE
Background Information

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 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! In addition, 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 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: A homeowner originally buys 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 the 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, since the original tax base was one-third of the sales price, the new property tax base would be a third of the purchase price (i.e., 1/3 of $200K = $67K or $670/year for property taxes). Buying down reduces the homeowner's annual property tax bill.

Finally, while there is little quarrel about the public policy behind this proposed change, there are concerns about the projected first year revenue loss of $150 million. First, this amount should be put into perspective; the projected revenue loss for Proposition 13 was $7 billion in 1978 dollars which equates to $25.5 billion today. Second, the revenue loss is the result of a "static" analysis – it only looks at the revenue lost, not the revenue gained which a "dynamic" analysis would do. All buyers of homes formally owned by a senior homeowner will have the home reassessed to market value and pay property taxes based on that reassessed value. There is also the additional documentary transfer tax that will be levied on the transfer. Both of these will help offset the projected revenue loss.