

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 2, 2008  
POSITION: Oppose

BILL NUMBER: SB 153  
AUTHOR: C. Migden

**BILL SUMMARY: Property Taxation: Change in Ownership: Exclusion**

Existing law generally requires that real property be reappraised for property tax purposes when there is a change in ownership. Exceptions to this requirement include property transfers between spouses, parents and children, grandparents and grandchildren, and registered domestic partners.

This bill would expand the aforementioned exemption to include a transfer in property interests between two co-tenants, provided that the transfer is occasioned by the death of one of the co-tenants, that the co-tenants hold full ownership of the property, and that the property is their principal residence. The bill would take effect immediately as a tax levy.

**FISCAL SUMMARY**

According to the Board of Equalization (BOE), each year there are between 100 and 700 transfers of ownership interests between co-tenants that would meet the reappraisal exemption created by this bill. The Department of Finance concurs with the BOE's estimate that these reappraisals generate annual property tax revenues ranging from \$175,000 to \$1.2 million.

Assuming a mid-point of 400 annual property transfers that would be exempt from reappraisal pursuant to this bill, with a value of \$1,750 each, Finance estimates this bill would result in annual property tax revenue losses for local government of approximately \$700,000 (\$1,750 x 400).

Assuming that 36 percent of property tax revenues accrue to K-14 schools, enactment of this bill would reduce K-14 property tax revenues by \$252,000 per year (\$700,000 x .36). This would result in a proportionate increase in the state's Proposition 98 General Fund obligation.

**COMMENTS**

Finance notes the following regarding this bill:

- The bill would create a situation where property could be indefinitely transferred without being reassessed. For example, a person could receive property pursuant to the bill, assume co-tenancy with another person, and then transfer it to that person, who could repeat the process in turn. Such a situation is not possible with transfers between parents and children, grandparents and grandchildren, spouses, or registered domestic partners, since these relationships are finite in nature. A co-tenancy relationship is not similarly finite.
- The bill would increase the state's Proposition 98 General Fund obligation by approximately \$252,000 per year.

Analyst/Principal (0760) C. Hill	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

**BILL ANALYSIS** Form DF-43 (Rev 03/95 Buff)

**BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)**

**Form DF-43  
BILL NUMBER**

**AUTHOR**

**AMENDMENT DATE**

C. Migden

July 2, 2008

SB 153

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO RV	PROP 98	FC	2008-2009 FC	2009-2010 FC	2010-2011 FC	Fund Code		
6100/Education	LA	Yes	C	\$189	C	\$189	C	\$189	0001
6870/Comm College	LA	Yes	C	\$63	C	\$63	C	\$63	0001