CALIFORNIA ASSOCIATION OF REALTORS®

QUICK GUIDE

Property Tax Exemptions from Reassessment

Ordinarily, when a property is sold, it is reassessed at its current fair market value, and the new owner pays property tax based on the reassessed value. However, the law exempts taxpayers who are 55 years of age or older from reassessment for the sale and replacement of a principal residence – in some circumstances.

What sort of property is eligible for this reassessment exemption?
This exemption is available for any dwelling owned and occupied by a taxpayer as his or her principal residence. The dwelling may be a single-family home, a unit in a common interest development (e.g., co-op, condo, townhouse) or a mobile home.

Must a taxpayer actually live in the original property or the replacement property in order to be eligible for this exemption?
Yes. In order to claim this exemption, a taxpayer must be both an owner and resident of the original property either at the time of the sale of that property, or within two years of the purchase or new construction of the replacement dwelling, and the property must be his or her principal residence. Moreover, a taxpayer is not eligible for the tax relief until he or she actually owns and occupies the replacement dwelling as his or her principal place of residence.

May a taxpayer transfer the base-year value to a replacement property multiple times?
No. A taxpayer may typically take advantage of this law only once.

In the case of married taxpayers, must both spouses be at least 55 years old in order to qualify for this exemption?
No. Only one spouse needs to meet the age requirement.

If any portion of the replacement dwelling is located in a county other than the one in which the original property is located, is the taxpayer still eligible for this exemption?
Maybe. The answer depends on the county in which the replacement property is located. Some counties permit the exemption, and some don't. See the C.A.R. article, "Proposition 90 Watch" for a list of eligible counties.

Must the replacement dwelling be of "equal or lesser value" to the original property?
Yes, otherwise the taxpayer will not be eligible for the exemption. However, this amount changes depending on when the replacement dwelling is purchased or built. If purchased or built prior to the sale of the original property, then "equal or lesser value" means the full cash value.

If the replacement property is purchased or built during the first year after the sale of the original property, then the value of the replacement property cannot exceed 105 percent of the full cash value of the original property, and 110 percent if purchased or built within 2 years. See the C.A.R. Q&A "Property Tax Exemption from Reassessment" for more details.