

LIBERTY FINANCIAL

A REAL ESTATE LENDING FIRM

What are Propositions 60 & 90?

As you reach retirement age, one of the most common things on a person's mind is saving money. One of the ways people save money at retirement is downsizing their home. Propositions 60 and 90 are State Constitutional Amendments passed by voters that provide property tax relief for persons aged 55 and older. Prop 60 allows for the transfer of the property tax base if you purchase another home within the *same county* as your current primary residence. Prop 90 allows you to transfer your tax base to a different participating county. The advantages of Props 60 and 90 can be substantial, particularly for someone who has owned their property for a long time, or for those who bought when values were lower.

Example: An applicant sells their former home, which they have owned for 20 years, for \$500,000 and purchases their new property for \$400,000. The assessed value on the home they sold was \$225,000. Under the rules of Props 60/90, the assessed value on the replacement home would be \$225,000 plus the 2% annual increase permitted by Prop 13, for a total of \$229,500. So based on that value, the annual property tax base would be \$2,295 instead of \$4000. A significant savings, especially for those on a fixed retirement income.

In order to qualify, your replacement property must meet the following conditions:

- ❖ You or your spouse must be age 55 or older.
- ❖ The replacement property must be purchased or built within 2 years of selling your previous residence.
- ❖ The previous residence must have been eligible for the homeowners' exemption either at the time it was sold, or within the prior two years.
- ❖ The sales price of the replacement property must be equal to, or less than, the fair market value of your current residence if you purchase the replacement property *before* you sell your current residence. You cannot go \$1 over the amount.
- ❖ If you don't buy a replacement property prior to selling your current residence, but purchase another residence within one year of the sale, the purchase price for the replacement residence cannot exceed 105% of the fair market value of the previous residence.
- ❖ If the replacement property is purchased after one year, but prior to the two-year mark, the purchase price of the replacement property cannot exceed 110% of the fair market value of the previous residence.
- ❖ This is a one-time exemption, so use it wisely!

Not every county in California allows for the exemption either, so be sure to do your homework. As of 2018, there are only 8 counties that allow the exemption. A call to the County Tax Assessor should give you guidance on which counties allow the transfer of the assessed value. We are always happy to help or answer any questions, so please don't hesitate to call!

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