



UNDERSTANDING PROPERTY TAX EXEMPTION FOR SPOUSES IN CALIFORNIA

Property taxes can be a significant burden for homeowners, especially in a state like California, where property values continue to rise. For married couples or domestic partners, Proposition 58 offers a critical benefit by providing a property tax exemption when transferring real property between spouses. Let's dive into how this exemption works and how it can help secure financial stability for families.

What Is Proposition 58?

Proposition 58, passed in 1986, was designed to alleviate the financial pressure associated with rising property values in California. This law allows for property tax reassessment exemptions on transfers of real property between spouses or registered domestic partners. The exemption applies to both primary residences and, under certain conditions, other properties.

When property is transferred between spouses—whether during a spouse's lifetime or as part of an inheritance—it does not undergo a reassessment for property tax purposes. Instead, the property retains its original tax base, which can be a significant financial advantage. In a state where property taxes are tied to the property's assessed value at the time of purchase, this exemption can save families thousands of dollars each year.

How the Exemption Works

1. Transfers of Primary Residences

Under Proposition 58, the transfer of a primary residence between spouses is entirely exempt from reassessment. This rule applies regardless of the current market value of the home. As long as the property was the transferor's primary residence at the time of the transfer, the property tax base remains unchanged.

2. Community Property Laws in California

California is a community property state, which means spouses share ownership of property acquired during their marriage. When one spouse passes away, their share of a jointly owned property automatically transfers to the surviving spouse. Proposition 58 ensures that this transfer does not trigger property tax reassessment, safeguarding the surviving spouse from potentially drastic increases in tax liability.

3. Trusts and Estate Planning

In many cases, primary residences are held in revocable living trusts. Proposition 58 maintains its reassessment exemption when the property is passed between spouses through a trust, as long as the primary residence requirements are met. This provision makes it a powerful tool in estate planning, ensuring that surviving spouses can remain in their homes without incurring higher taxes.

Key Conditions and Filing Requirements

To ensure eligibility for the exemption, a few conditions must be met:

- **Primary Residence Status:** The home must have been the primary residence of the spouse transferring ownership.
- **Filing a Claim:** To take advantage of the reassessment exemption, the surviving spouse or recipient must file a claim with the county assessor's office promptly after the property transfer.
- **Additional Exemptions for Other Properties:** Proposition 58 also allows an exemption for other properties up to \$1 million in assessed value, but this provision has additional requirements and limitations.

Why This Matters for Families

For families navigating transitions such as the loss of a spouse, Proposition 58 offers a lifeline by reducing the financial strain of increased property taxes. By retaining the property's original tax base, surviving spouses can avoid potentially unaffordable tax bills, making it easier to maintain financial stability during challenging times.

Taking Action

If you or someone you know might benefit from Proposition 58, it's essential to understand the rules and file the appropriate forms with your local assessor's office. Consulting with a financial or estate planning advisor can also ensure that you maximize this benefit while aligning your property ownership with your long-term financial goals.

Proposition 58 is a valuable tool for California families, providing peace of mind and financial stability in times of transition. By exempting transfers of property between spouses from reassessment, it safeguards the ability of families to remain in their homes without being penalized by rising property values. Whether you're planning your estate or navigating the aftermath of a loss, this exemption is an essential part of protecting your financial future.

For personalized advice on how Proposition 58 might apply to your situation, reach out to Life By Design Investment Advisory Services today. Our team specializes in aligning your financial goals with effective strategies, ensuring you and your loved ones are prepared for the road ahead.

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