

# Change of Ownership & Tax Reappraisal



## **Joint Tenancy**

Under this method of holding title, each owner holds the property jointly with the other owners. Upon the death of one owner, the property passes to the surviving joint tenant. For assessment purposes, the termination of joint tenancy (other than husband and wife or parent/child transfers) causes a reappraisal.

## **Tenancy In Common**

Under this method of co-ownership, each owner owns a specific percentage of the property. At death, tenants in common pass their interest in the property to their legal heir. The transfer of a tenancy in common interest will cause a reappraisal, unless it is a husband/wife or parent/child transfer, but only for the interest that has been transferred.

## **Legal Entities (Partnerships and Corporations)**

Under this method, a reassessment occurs when there is a change in the controlling interest of the corporation or partnership. A controlling interest is defined as an interest greater than 50%. These changes in ownership are monitored and reported by the State Board of Equalization.

## **Leases**

Whenever real property is leased for 35 years or more, including options, reappraisal is required. If the tenant then transfers or subleases that property with more than 35 years remaining on the original lease, state law requires it to be reappraised again. However, if the owner transfers or sells the leased property, a reappraisal is required only if there is less than 35 years remaining on the lease.

## **Trusts**

In this method of holding title, there is only a reassessment if there has been a change of beneficial interest or control. For example, revocable trusts (i.e. living trusts) are not subject to reappraisal. Irrevocable trusts are reappraisable if the recipient or beneficiary is not the current owner.

## **Methods of Holding Title**

A change in the method of holding title in itself does not cause a reappraisal. For example, if two equal partners incorporate, and each owns 50% of the corporate stock, no appraisal is required. In this case, the proportional ownership has not changed, only the method of holding title.

## **Summary**

Under Proposition 13, a reassessment takes place upon a change of ownership or transfer of title. It is always best to review any proposed ownership change with the Assessor's office in advance to determine any possible property tax consequences.

## **NOTE**

For transfers that are not required to be reappraised, taxpayers should have their escrow and title companies note their parent/child or husband/wife relationship on their deed or other documents transferring title, including the Preliminary Change of Ownership Report (which is filed with the deed.) After the deed is filed with the County Recorder, application forms are mailed to the new owners within 30 days. They should be returned immediately.