



Over 55 and Want to Sell Your Home and Buy a New One But Worried About Paying Higher Property Taxes?

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We hear many clients say they do not want to sell because they bought their home several years ago and they are worried if they sell and buy a new home at today's property values, their real estate taxes could double or triple. These are very valid concerns.

Although some people in their mid-50s may not like being called a "senior citizen," there are some advantages thanks to the "Senior Citizen's Replacement Dwelling Benefit." Also known as Proposition 60, this benefit was passed 30 years ago with Proposition 90 arriving two years later.

Basically these propositions allow you to keep your current tax basis if you want to buy a new home. If you have owned your home a long time, there is a good chance your tax basis is pretty low. Your tax basis is calculated at 1.25 percent of what the market value was when you bought it. So for example if you bought your home 30 years ago for \$500,000 then at the time your property taxes were \$6,250 annually (1.25 percent effective property tax rate).

With Proposition 13, your assessed value can only go up no more than 2 percent annually, so today your property taxes would be about \$11,778 annually.

Without Proposition 60, if you wanted to sell your current home that is now worth \$2,500,000 and buy another home priced at

\$2,500,000, then your 1.25 percent effective annually property taxes would be \$31,250.

Over 10 years you would be paying approximately \$200,000 more in property taxes. With proposition 60, this allows you to sell your \$500,000 home and buy another home and pay the same \$11,778 annually you were paying before. Without Proposition 60 many people over 55 would not be able to move.

Here are some of the Proposition 60 requirements.

1. You or your spouse must be at least 55 years of age when the original property was sold.
2. The original property and new property must be within the same county.
3. You can only use the transfer once in a lifetime.
4. The new replacement property must be of equal or lesser value than the original property sold.
5. The replacement property must be built or bought within two years of selling the original property.
6. Your original property must be your primary residence and have been eligible for the homeowner's exemption or disabled veteran's exemption.
7. Your replacement property must be your primary residence and must be eligible for the homeowner's exemption or disabled veteran's exemption.

Proposition 60 only allows you to transfer your base tax value within the same county (in-

tra-county).

Proposition 90 allows you to transfer your base tax value from one county to another (inter-county), however, only at the discretion of each county. See box (on page 26) for the 10 counties that have an ordinance allowing for inter-county transfers.

It is important to note how market value for Proposition 60 and 90 is determined:

- 100 percent or less of the market value of the original property if the replacement property was purchased or newly constructed *before* the sale of the original property.
- 105 percent or less of the market value of the original property if the replacement property was purchased or newly constructed *within one year after* the sale of the original property.
- 110 percent or less of the market value of the original property if the replacement property was purchased or newly constructed *within two years after* the sale of the original property.

A claim must be filed within three years of purchasing or completing new construction of the replacement property. For more information about Proposition 60 or 90, call the LA County Tax Assessor at 213-974-3838 or the Assessor's Public Service Locations, West District Office 310-665-5300.

Please also check with your accountant or financial consultant as we are not allowed to give tax advice.

10 Counties Where Inter-County Transfers are Allowed

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|---------------|------------------|
| ■ Alameda | ■ San Bernardino |
| ■ El Dorado | ■ San Diego |
| ■ Los Angeles | ■ San Mateo |
| ■ Orange | ■ Santa Clara |
| ■ Riverside | ■ Ventura |

Anthony founded Amalfi Estates 22 years ago. He has sold close to \$1 billion in properties and was selected by *The Wall Street Journal* as one of the top 100 agents in the country out of one million agents. He is currently the #1 agent in the Palisades based on number of transactions and sales volume. He can be reached on his cell at 310-293-9280, www.AmalfiEstates.com.