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No Limitations And No Escape: The Long Tail Of Real Property Tax Liability Resulting From Entity Interest Transfers In California

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The general limitations on reassessment of real property without a “change of ownership” under the 1978 voter initiative known as “Proposition 13” deserve renewed attention after the failed effort to enact Proposition 15 in 2020. Under the California Constitution, as amended by Proposition 13, for ad valorem tax purposes, real property ordinarily can only be assessed annual taxes equal to 1 percent of its “base value,” which is its full cash value as of the most recent “change of ownership” (or its 1975 value, in the absence of a change of ownership since 1978), plus an increase for inflation that is capped at 2 percent of that base value each year thereafter. The failed Proposition 15 would have excluded most commercial properties from the operation of Proposition 13, meaning they could be assessed based on current fair market value with or without a change of ownership and without regard to the 2 percent annual limit.

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