

Dear Governance and Finance Committee and other Legislators:

## **PLEASE SUPPORT THIS SCA-4 BILL AMENDMENT!**

SCA-4 will repeal the 'bad part' of Prop 19 that became law on Feb 16, 2021 with little or no voter visibility. Until February of 2021, Prop. 58 was in place since 1986 with 75% bipartisan support. Prop. 58 allowed parents to pass their primary residence and up to \$1M of non-primary residence property to their children with a property tax basis the same as theirs (i.e., an exclusion of reassessment of property taxes). There was a similar bill, Prop. 193, for grandparent to grandchild, that was also negated. SCA-4 would get us back to the original Prop. 58/193 rules, although the non-primary residences' \$1M exclusion should be adjusted for inflation.

Getting back to Prop. 58 rules is important because this portion of Prop. 19 is **DRIVING PEOPLE OUT OF THE STATE OF CALIFORNIA** as it is making housing even more unaffordable! It does not just impact homeowners, but also tenants and small business owners by increasing rental prices and reducing housing stock when families are forced to sell after the death of a parent. It is **IMPACTING OUR ENTIRE CA ECONOMY.**

Prop. 19 is titled: *The Home Protection for Seniors, Severely Disabled, Families, and Victims of Wildfire or Natural Disasters Act*. The 'good part' of Prop. 19 is excellent allowing the cost basis of a home to be transferred anywhere in the state. What this 'bad portion' of Prop. 19 did does nothing to protect families as the title suggests and **misleads our seniors and public**.

Most people are not aware of all of this and its implications because they do not hear about it until they do taxes after their parents have passed away, so it hits families that are often completely unaware. A Living Trust will not protect you from Prop. 19 as it currently stands. The County Assessor's Office looks through to the beneficial owner of the property. Basically, there is really no good way around this without other negative results.

Please help keep families and small businesses in their communities allowing them and their families to live near friends and families, their religious connections, medical providers, climate, etc., that they have become familiar with in their lifetime.

**Example:** A home purchased in 1970 for \$500k; today's value \$2.5M; say 1% property tax (often higher due to local taxes added); Parents paid approximately \$5k in property taxes annually; children now would pay approx. \$25k property taxes annually. If children move into home within 1 year of DOD, they get a \$1M exclusion, but, still that would be \$15k annually. If children want to keep their family home or business in the family, that is either a \$10 or \$20k INCREASE per YEAR. That is approximately another \$20,000 to \$40,000 of gross income needed. This ANNUAL INCREASED COST is prohibitive compared to the incomes people are making!

**IMPACTS:** Prop. 19 **will eventually impact everyone living in California** as we will all die eventually. So, the learning curve is also gradual. Financial matters, death, planning are all things that we tend to not be good at. Children may be forced to sell their family home while

still grieving the loss of their parents because they cannot afford the approximately \$25-30,000++ annual property tax bill for a \$2.5M - \$3M home.

This does not just IMPACT single-family homes but will also impact small businesses, restaurants, family farms, rental property and small apartment buildings many of which are managed by mom and pop landlords and all tenants will be impacted gradually too.

**TENANTS will be impacted when:**

- The *higher property taxes are passed on the tenants in higher rents* and although there is a statewide annual rent cap on multi-family homes, the cost will eventually be passed on.
- The property owner cannot afford the higher property taxes or they are not able to raise the rents fast enough to cover this additional cost and *the new property owner is forced to sell*. If they are forced to sell, there is *no guarantee the new owner will keep the property as rental units thus potentially losing even more housing stock*.
- It will reduce the number of mom-and-pop landlords, thus reducing the competition in the rental market and allow large rental owners, including corporations and investment trusts, to own a larger majority of the housing stock, and driving up prices for tenants.

I believe, the current **Prop. 19 law will have unforeseen impacts such as:**

- Aspiring homeowners who are priced out of the market by corporations who use homes for high market rentals, often paying cash and sight unseen, for a property.
- Impacts to the 'trades' (electrical, contractors etc) because if a parent knows their children will not be able to afford to keep the house with higher property taxes, the parent will be less inclined to make home improvements.
  - o Possibly, to the extent that it may impact doing needed repairs which could lead to injuries (think - upper story decks, cracks in windows etc.).
- Who will spend money today if the ROI is not there? It just does not make business sense.
- Potentially, even food prices could go up as family farms who are already struggling against the large corporations go out of business.
- The difficulty of filling many job positions because it is too expensive to live here

Penalizing the working middle class by forcing them from their family home and community is not the answer. California has a projected approximate \$55 BILLION dollar SURPLUS for the 2022-2023 fiscal year and does not need this extra revenue. There are better ways to get revenue.

I have never collected signatures for petitions before; that is out of my comfort zone, but feel this is a CRITICAL ISSUE for our future. **California is PRICING FAMILIES OUT OF THE STATE. This will impact our entire ECONOMY.**

- One example of someone living in a middle class San Mateo County home who was already living with their mother because of skyrocketing bay area prices. His mother passed with the thought that her disabled son would live in the home the rest of his

life. However, the approximately \$15k ANNUAL increased property tax burden, even after his \$1M child exclusion, is still unaffordable and he may be forced to sell and move out of CA. He will have to start over, forced to find a new support system, friends and new medical providers.

- Many were not aware this law passed and this was the last straw for them in CA.
- Many I met are moving to other states, one even to Europe.
- **Once a home is sold - this cannot be undone; it will impact their lives forever.**
- Why is CA incentivizing people to move out of state?

Please approve SCA-4 so that it can be put on the ballot for voters to vote on. Thank you for your consideration.

Respectfully submitted,