

La Jolla Bar Association
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“Property Tax Problems and Solutions”

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1. Proposition 13 Background.
 - Resources (boe.ca.gov)
 - 18 CCR 460 et seq.
 - Assessor’s Handbook
 - Letters to Assessors
 - Annotated Rulings
2. General Trust Rules.
 - Trustee is irrelevant
 - Key factor is “current income beneficiary”
 - “Sprinkle” potential
 - “Pro-rata” distributions
3. Parent/Child Exclusion.
 - Principal residence
 - Up to \$1M in “assessed value” of other properties (double counting for H&W)
 - Monitored by BOE at state level
 - Must be claimed (in addition to PCOR)
 - No brother/sister exclusion (debt financing example)
 - N/A to entities
 - Grandchild exclusion
 - Filing deadlines
4. Entities.
 - In or out – no reassessment if “proportional interests.”
 - No step transaction doctrine in parent/child context
 - Change in control
 - More than 50% in capital and profits of Partnerships and LLCs.
 - Special allocations?
 - More than 50% voting control of corporations
 - Two child example
 - All property reassessed

- Cumulative transfer
 - Cumulative transfer of more than 50% interest in capital and profits.
 - Results in reassessment of properties not reassessed when they went into the entity
 - Two child example
 - The husband/wife LLC opportunity
 - Community property issues
 - Reporting – file Form BOE-100-B within 90 days
5. Leased Property. Gift with more than 35 years remaining (with options).
6. The Over 55 Rollover.
- Can't move up in value (105% after year one, 110% after year 2)
 - Replacement property 2 years before or 2 years after
 - Example- add to value of original residence
 - Example- appeal value of new residence
 - Must be claimed (one time only)
7. The Disability Exclusion from Reassessment.
- Can be used after the 55 rollover
 - Severely and permanently disabled
8. Fixing the Problem.
- Rescission deeds
 - Disclaimers
 - Timing issues
 - Applications for Equalization of Assessment (Assessment Appeals Board)
9. The Big Picture.
- Compare property tax reassessment to estate tax savings.
 - Consider amount of increase.
 - Consider holding period.
 - Consider where parent/child exclusion is best used
 - Consider income tax issues
10. Documentary Transfer Tax.