LAO

January 21, 2026

Hon. Rob Bonta
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Anabel Renteria
Initiative Coordinator

Dear Attorney General Bonta:

Pursuant to Elections Code Section 9005, we have reviewed the proposed initiative regarding property tax rules for inherited property (A.G. File No. 25-0035).

BACKGROUND

Local Governments Collect Property Taxes From Property Owners. California local governments—cities, counties, schools, and special districts—levy property taxes on property owners. Property taxes are paid based on the taxable value of the property. Property taxes are a major revenue source for local governments, raising about $100 billion annually statewide.

How Is a Property Tax Bill Calculated? Each annual property tax bill is equal to the taxable value of the property multiplied by the property tax rate. The typical property tax rate is 1.1 percent. In the year a new owner takes over a property, its taxable value typically is its purchase price. Each year after that, the property's taxable value is adjusted for inflation by up to 2 percent. When a property changes ownership again, its taxable value is reset to its new purchase price.

Property Tax Bills May Include Other Charges. Local governments may charge additional taxes and charges on property tax bills. These charges are not based on the taxable value of the property. Instead, they are based on the benefits the property owner receives from specific public improvements or to fund specific public services.

PROPOSAL

Exemption From Most Property Taxes for Homeowners Ages 60 or Older. The measure amends the State Constitution to exempt most homeowners ages 60 or older from property taxes

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on their primary home. Beginning in 2027, the measure would allow age-eligible homeowners to request an exemption from their county assessor if they have lived in the home for five years or lived in the state for ten years. Homeowners who receive the exemption would still pay other property-related taxes and charges that are not based on the taxable value of their property.

FISCAL EFFECTS

Reduced Property Tax Revenue for Schools and Other Local Governments. Allowing most homeowners ages 60 years or older to claim an exemption would reduce property tax revenue going to schools and other local governments. Over the first few years, schools and other local governments would lose between $12 billion and $20 billion annually. Over time, these revenue losses would grow by 5 to 10 percent per year. About half of the revenue losses would go to cities, counties, and special districts. The other half would go to schools. In some years, the state could face additional cost pressures to provide money to schools to offset their revenue losses.

Effects on County Administrative Costs. County governments administer the property tax. The measure's changes could affect counties' costs to do so. The net effect on county administrative costs is unclear but likely would not exceed the low tens of millions of dollars annually.

Summary of Fiscal Effects. We estimate that this measure would have the following major fiscal effects:

- Many homeowners ages 60 or older would pay lower property taxes. This would reduce revenue for local governments and schools by $12 billion to $20 billion per year. These losses would grow over time.

Sincerely,

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for Gabriel Petek
Legislative Analyst

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for Joe Stephenshaw
Director of Finance