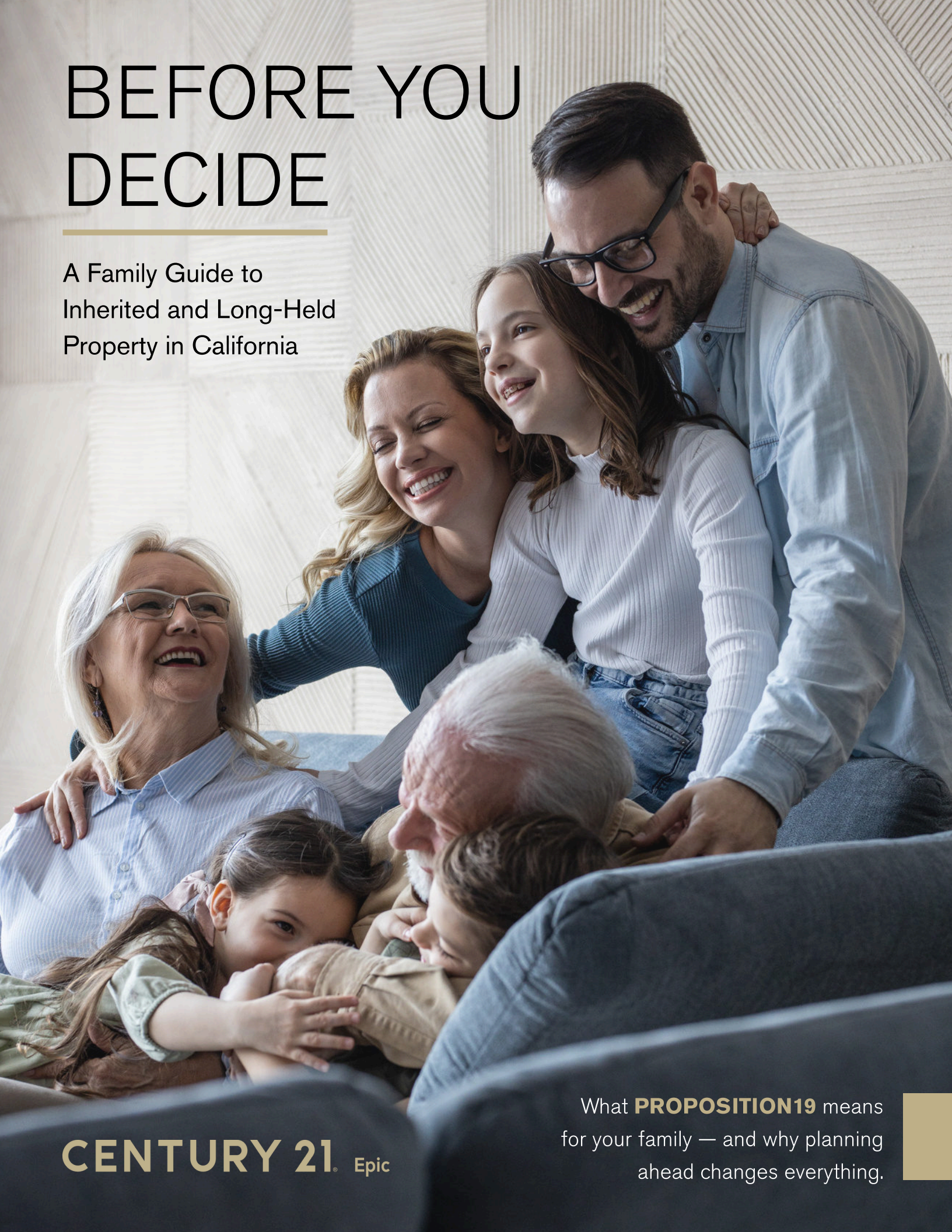
BEFORE YOU DECIDE

A Family Guide to Inherited and Long-Held Property in California



What **PROPOSITION19** means for your family — and why planning ahead changes everything.

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A NOTE FROM DANIEL

In the work I do, I see the same thing over and over. A family holds a property for decades — a duplex, a building, a piece of land. They planned for what would happen next. Many set up trusts, talked to attorneys, did the responsible thing. But in 2021, California changed the rules — and most families don't realize their plan was built on assumptions that no longer hold.

This guide is about what changed, what it means in real dollars, and what you can do about it while there's still time.

I came to real estate from a different direction. I spent over two decades building and running businesses in the restaurant industry before transitioning full-time into investment property. That background matters here — because I know what it feels like to hold something you've built over a lifetime, and I understand that when property changes hands, the decision is never just about the numbers.

That's the work I do now. I help families across California navigate inherited and long-held real estate — multifamily, commercial, industrial, and land. Not to push anyone toward a particular outcome, but to make sure the picture is clear before anything is decided.

If a conversation would help, I'm easy to reach. No pressure, no rush.

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WHAT PROPOSITION 19 CHANGED — AND WHY IT MATTERS

For decades, California's Proposition 13 (1978) gave property owners something remarkable: a property tax bill that grew by no more than 2% per year, regardless of what the market was doing. A family that bought a duplex in 1985 for $150,000 might still be paying taxes on an assessed value of $280,000 — even if that property is now worth $1.4 million.

Under the old rules (Proposition 58), that low tax base could be passed directly to your children. They could inherit the property and keep the cheap tax bill — preserving decades of Prop 13 protection across generations. Many California families built their estate plans around exactly this benefit.

BEFORE 2021 - PROPOSITION 58	AFTER FEBRUARY 2021 - PROPOSITION 19
Children could inherit any property — rental, commercial, land — and keep the parent's low assessed value.	Investment and rental properties are fully reassessed at current market value the moment they transfer.
No occupancy requirement. No value cap. Prop 13 protections passed down through generations.	Only a family home the heir moves into within one year — and files for the homeowner's exemption and exclusion with the county assessor within that window — or a qualifying family farm can receive an exclusion, and it is capped.
Families could hold rental properties, commercial buildings, and land across generations at the original tax rate.	For income-producing properties of any type, those generational protections end completely at transfer.

WHAT ABOUT REPEAL EFFORTS?

There have been multiple organized campaigns to restore the old parent-child transfer protections. As of 2026, a third attempt is underway but has not qualified for the ballot — previous efforts fell well short of the required signatures. A repeal may eventually happen. Building a family plan around a legislative outcome that hasn't occurred is not a strategy. The law as it stands today is the law your family will face.

"The families I've seen navigate this best are the ones who planned for the law as it is — not as they hoped it might become."

SECTION TWO

WHAT REASSESSMENT LOOKS LIKE IN REAL NUMBERS

The following is a hypothetical example based on the type of property and ownership history common across California. Names and details are illustrative.

THE GARCIA FAMILY — HYPOTHETICAL EXAMPLE

Property: 4-unit apartment building, Northern California

Year Purchase: 1986

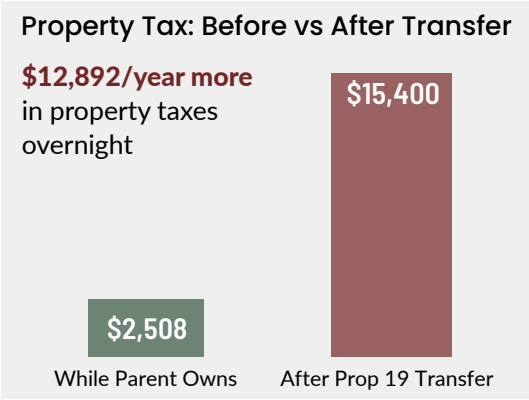
Purchase Price: $180,000

Current Market Value: $1,400,000

Current Assessed Value (Prop 13): $228,000 (40 years of 2%/yr increases)

Monthly Rents: $1,450/unit - stable long-term tenants, below current market

Heirs: Two adult children - neither will occupy as primary residence



MONTHLY CASH FLOW	PARENT OWNS	AFTER TRANSFER
Gross Rental Income (4 x $1,450/mo)	$5,800	$5,800
Property Management (8%)	($464)	($464)
Insurance (Wildfire Market)	($600)	($600)
Maintenance Reserve (6%)	($348)	($348)
Vacancy Allowance (4%)	($232)	($232)
Property Tax (Monthly)	($209)	**($1,283)**
NET MONTHLY INCOME	**$3,947**	**$2,873**
NET ANNUAL INCOME	**$47,364**	**$34,472**
PER HEIR - MONTHLY (2 heirs)	**$1,974**	**$1,436**
PER HEIR - ANNUAL (2 heirs)	**$23,682**	**$17,236**
Property Tax as % of Net Income	**5%**	**45%**

THE BOTTOM LINE

Prop 19 costs the Garcia heirs $12,892 more per year than their parent paid in taxes — driving the property tax share of net income from 5% to 45% overnight. Split between two heirs, the post-reassessment cash flow is $1,436/month each — barely worth the management burden, the family complexity of co-ownership, and the risk of vacancy or major repairs. Meanwhile, selling near the time of transfer and splitting the net proceeds gives each heir approximately $665,000 in cash with minimal tax liability.



THE FULL TAX PICTURE AT TRANSFER

Inheriting California real property comes with one major financial advantage and one major financial cost — and they happen at exactly the same moment.

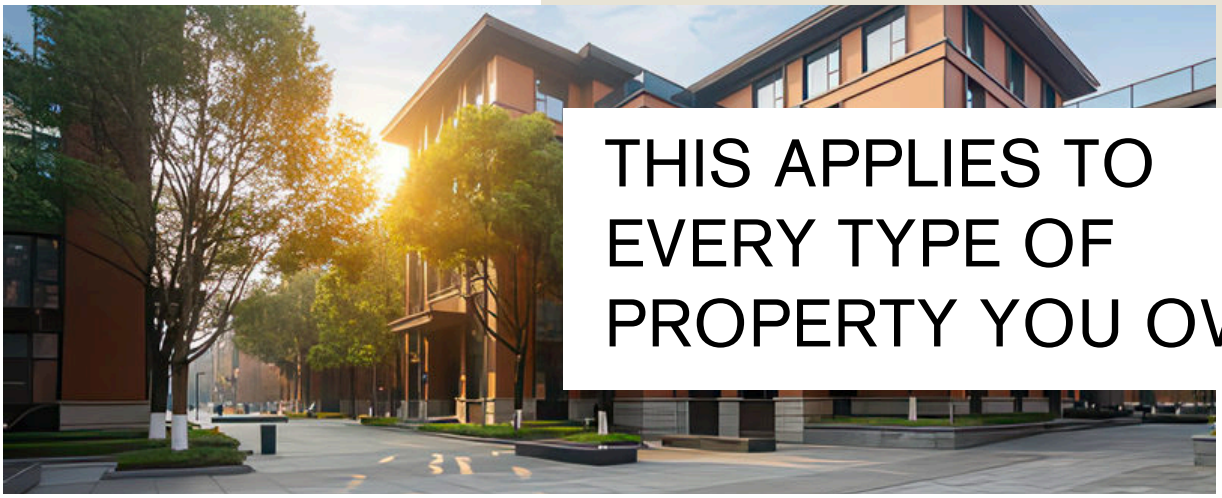
THE ADVANTAGE

Stepped-up basis resets the property's cost basis to current market value as of the date of death — not the date of transfer or distribution. This eliminates two potential tax obligations that the original owner would have owed on a sale: capital gains tax on decades of appreciation, and depreciation recapture — the IRS's 25% claw-back of all those years of depreciation deductions. On a long-held rental property, recapture alone can represent tens of thousands of dollars in tax liability. At death, it disappears entirely.

THE COST

Proposition 19 reassesses the property to that same current market value for property tax purposes — immediately. The low Prop 13 assessment your parent carried for decades ends the moment title transfers. The result is an annual tax bill that can jump by $10,000–$30,000 or more overnight, with no phase-in and no exceptions for income-producing property.

The window between transfer and sale is the one moment when both advantages are fully intact — basis is stepped up, recapture is gone, and the Prop 19 tax burden hasn't yet compounded. Every year the property is held after transfer, that window narrows. This is why timing matters.



THIS APPLIES TO EVERY TYPE OF PROPERTY YOU OWN

Most long-term California investors don't own just one property type. A portfolio built over 30 or 40 years tends to reflect a life of opportunistic acquisition — a duplex here, a warehouse there, a parcel of land held for decades. Proposition 19's reassessment rules apply equally across all of it.

MULTIFAMILY	Duplexes, triplexes, apartment buildings. Rental income offsets some of the new tax — but the reassessment hits immediately and net return drops sharply, often by 25% or more. In wildfire-prone areas of California, insurance availability and cost are an additional variable — some carriers are non-renewing policies entirely, and this should be evaluated early in any hold decision.
COMMERCIAL & INDUSTRIAL	Office, retail, warehouse, industrial. Often the largest absolute reassessments in a portfolio. Long-held commercial assets can see six-figure annual tax increases overnight.
RAW & AGRICULTURAL LAND	No income buffer whatsoever. A $15,000–$30,000/year tax bill on land that generates nothing is an immediate forcing function. (A working family farm passing to a child or grandchild may qualify for a capped exclusion.)
MIXED PORTFOLIOS	Most long-term investors hold more than one property type. The full estate picture matters — each asset carries its own reassessment exposure, and the combined impact can be significant.

A note on raw land: Bare land is often the most urgent Prop 19 situation of all. A parcel assessed at $80,000 and worth $2.5 million generates a new tax bill of roughly $27,500 per year — with zero income to offset it. There is no rent check to absorb the hit. For many families, land is the forcing function that makes the broader estate conversation unavoidable.

WHERE ARE YOU IN THIS PICTURE?

Every family's situation is different. Most people I work with fall into one of four places:

1 **YOU'VE ALREADY INHERITED THE PROPERTY**

The transfer has happened or is actively in process. The Prop 19 reassessment clock is running. You may be a successor trustee working through trust administration, or an heir trying to figure out what this property means for your financial life. The property decision happens within the legal context of trust administration — coordinate with your estate planning attorney before committing to any course of action. If the property has tenants, professional property management during the decision period can protect both the asset value and your legal obligations as the new owner.

2 **YOU CAN SEE IT COMING**

A parent is aging. The conversation hasn't happened yet. The property has been in the family for decades and everyone assumes it will just work out. This is the best place to be — you still have time to plan. Understanding the tax picture now means your family can make a good decision rather than a reactive one.

3 **YOU OWN THE PROPERTY AND YOU'RE THINKING AHEAD**

You built something. You've held it for years. You want to make sure it gets handled right — that your kids aren't blindsided by a tax bill, that the right people are in place, that any sale is handled by someone you trust. Planning at this stage is one of the most generous things you can do for the people you're leaving it to.

4 **THE FAMILY HAS NEVER TALKED ABOUT IT**

The property sits there. Nobody brings it up. It feels too complicated, too emotional, or just not urgent enough. This is where I see the most avoidable losses — not from bad decisions, but from no decision at all.

WHAT ARE THE ACTUAL OPTIONS?



There's no universal right answer. What makes sense depends on the property, the family, the numbers, and the timing. Here are the paths most families consider — honestly framed.

SELL NOW, WHILE THE BASIS IS STEPPED UP

When a property transfers at death, the cost basis resets to current market value as of the date of death. Heirs who sell relatively soon after inheriting often owe little or no capital gains tax. The longer the property is held after inheritance, the more gain accumulates from the new basis. For many families, selling in the period shortly after transfer is the most financially efficient option available. If you do sell, the net proceeds represent a significant financial event — a conversation with a financial planner before or shortly after closing can help you make the most of it.

HOLD AND ABSORB THE NEW TAX BURDEN

This works when income is strong enough, the heir wants to be a landlord, and the long-term appreciation story makes sense. The key is going in with eyes open — knowing exactly what the new tax bill is, what net income looks like after it, and what the break-even timeline is versus selling.

1031 EXCHANGE — FOR OWNERS PLANNING AHEAD

If you own investment property and are thinking about simplifying your portfolio before it transfers to your heirs, a 1031 exchange is one of the most powerful tools available. You can sell a property that has become too management-intensive — a large apartment building, an industrial property, a parcel of land — and roll the proceeds into something simpler, such as a net-lease commercial property or a Delaware Statutory Trust (DST), while deferring capital gains entirely. Done while you're still in control, this can significantly reduce the complexity your heirs face — and in some cases eliminate the Prop 19 problem altogether if the exchange is structured into a qualifying property type.

1031 EXCHANGE — FOR HEIRS WHO HAVE HELD THE PROPERTY

The stepped-up basis advantage is strongest in the period shortly after inheritance. If a year or more has passed and gains have begun to accumulate from the new basis, a 1031 exchange into a different investment property allows the heir to exit without triggering capital gains — deferring that tax while repositioning into an asset that better fits their life. Replacement properties must be identified within 45 calendar days of closing and acquired within 180 days — both are hard deadlines that cannot be extended. If the property carries existing mortgage debt, the exchange requirements become more complex. An experienced agent and a qualified intermediary are both essential.

PLAN BEFORE THE TRANSFER HAPPENS

For owners who are still alive: estate planning strategies exist that can reduce the reassessment impact. These are conversations for an estate planning attorney and a CPA. What I can do is help you understand the property's current value and the tax picture under different scenarios, so your advisors have the right numbers to work with.

DON'T HAVE A TRUST YET?

If you own real property in California and don't yet have a living trust or estate plan in place, that is the right place to start — before any property decisions are made. A well-structured trust can preserve options for your heirs that simply don't exist without one.

> I work with a network of trusted estate planning attorneys across California and am happy to make a personal introduction at no cost. The right attorney and the right real estate advisor working together is the combination that protects families most effectively. Just reach out — I'm glad to connect you.

> *I'm not an attorney or a CPA, and nothing in this guide is legal or tax advice. What I am is someone who has worked through these situations with enough families to know which questions matter — and who to bring to the table to answer them.*



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YOUR PROP 19 IMPACT REPORT

One of the most useful things I can do for a family in this situation — whether the transfer has already happened or you're planning ahead — is build a Prop 19 Impact Report for your specific property. It includes two things in combination:

A CURRENT MARKET VALUATION (CMA)

What the property is actually worth in today's market, supported by recent comparable sales. Not an AVM estimate from a website — a real analysis built from what buyers are actually paying for similar properties in your area right now.

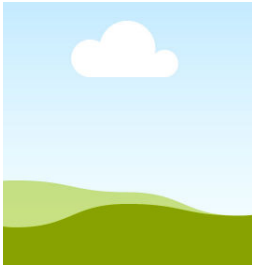
A PROP 19 TAX REASSESSMENT PROJECTION

What the new tax bill will look like after transfer, modeled against the current assessed value and today's market value. Side-by-side cash flow showing what the property nets now versus what it will net after reassessment — in plain dollars.

YOUR PROP 19 IMPACT REPORT IS FREE, NO OBLIGATION, AND NO PRESSURE.

I offer it because families who have the right information make better decisions — and because the conversation itself usually tells both of us whether working together makes sense.

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Serving California





WHAT HAPPENS NEXT

THE PROCESS, STEP BY STEP

For families who haven't been through this before, the path from inherited property to resolution can feel opaque. Here's what the process typically looks like — from transfer to closing — so nothing comes as a surprise.

1 PROPERTY TRANSFERS TO THE ESTATE OR TRUST

Upon the owner's passing, title transfers to the successor trustee. The county assessor is notified and the Prop 19 reassessment is triggered immediately.
Typical timeline: Immediate

2 SUCCESSOR TRUSTEE ENGAGES ADVISORS

The successor trustee assumes legal responsibility. This is the right moment to engage a real estate advisor to understand market value, the new tax picture, and what options exist.
Typical timeline: First 30–60 days

3 FREE PROP 19 IMPACT REPORT & STRATEGY SESSION

I pull assessor records, run a market valuation, and build your Prop 19 Impact Report showing the tax impact and net proceeds under different scenarios. No cost, no obligation.
Typical timeline: Within days of your inquiry

4 FAMILY ALIGNMENT AND DECISION

If multiple heirs are involved, the decision to sell, hold, or exchange requires alignment. Having clear, shared numbers in front of everyone makes the biggest difference.
Typical timeline: 1–4 weeks

5 PROPERTY PREPARED AND TAKEN TO MARKET

Inherited properties often benefit from targeted preparation — addressing deferred maintenance, understanding the buyer profile, and pricing strategically. I manage this process from start to finish.
Typical timeline: 2–4 weeks prep, then active marketing

6 CLOSE AND DISTRIBUTE

Escrow and closing typically runs 30–45 days. The trustee signs on behalf of the estate, proceeds are distributed per the trust, and the family's obligation to the property is complete.
Typical timeline: 30–45 days from accepted offer

When the time comes to take the property to market, the approach matters. Inherited and long-held properties have specific buyer profiles, pricing considerations, and timing dynamics that differ from a standard listing. That's a conversation for our strategy session.

SAMPLE PROP 19 IMPACT REPORT

When you reach out, I build a Prop 19 Impact Report like this one for your specific property before we speak. This is a sample using the hypothetical Garcia family property.

PROP 19 IMPACT REPORT

123 Sample Street, Sonoma, CA 95476

Garcia Family Trust | Daniel Rogers, DRE 02051470

PROPERTY OVERVIEW

Type: 4-unit residential rental

Year built: circa 1965

Lot size: 0.18 acres

Units: 4 x 2bd/1ba

OWNERSHIP

Original purchase: 1986

Purchase price: $180,000

Years held: 39 years

TAX ASSESSMENT

Current assessed value: $228,000

Current annual tax: $2,508

Post-transfer assessed value: $1,400,000

Post-transfer annual tax: $15,400

Annual tax increase: $12,892

MARKET VALUATION

Estimated market value: $1,350,000–$1,450,000

Value basis: 3 comparable sales, Q1 2026

COMPARABLE SALES

412 Vine St — 4-unit — $1,380,000 (Jan 2026)

88 Oak Ave — 4-unit — $1,415,000 (Feb 2026)

201 Mill St — 4-unit — $1,360,000 (Mar 2026)

ESTIMATED NET PROCEEDS

List price assumption: $1,400,000

Commission (5%): ($70,000)

Transfer tax: ($4,340)

Est. closing costs: ($3,500)

Estimated net to estate: ~$1,322,000

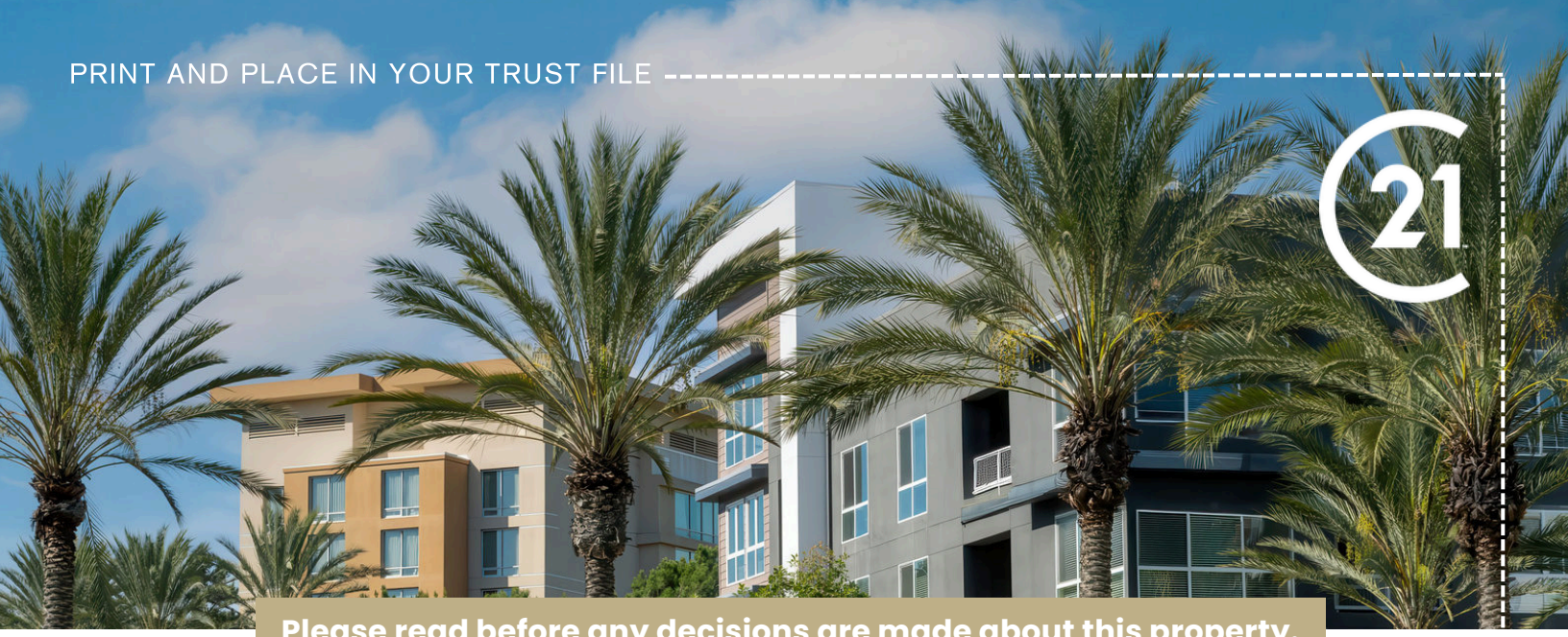
CAPITAL GAINS NOTE

Step-up in basis to ~$1,400,000 at transfer. Sale near time of transfer likely triggers minimal capital gains. Consult your CPA.

SAMPLE

ADVISOR NOTES: The Prop 19 reassessment increases the annual tax burden by $12,892, reducing net operating income by approximately 27% and driving property tax to 45% of net income. Given the stepped-up basis and current market conditions, a near-term sale is likely the most financially efficient path. A 1031 exchange is also worth discussing if the family wishes to remain invested in real estate. *This brief is based on publicly available assessor data and current market comparables. It is not an appraisal. Transfer tax rates vary by county and city. All figures are estimates intended to inform a conversation, not constitute legal, tax, or financial advice.*

PRINT AND PLACE IN YOUR TRUST FILE



Please read before any decisions are made about this property.

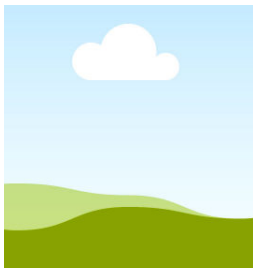
If you are the successor trustee or heir of an estate that includes real property in California, there is one thing you need to know immediately:

California's Proposition 19 requires that investment, rental, commercial, and land holdings be fully reassessed at current market value when they transfer to heirs. For a property held for many years, this can mean a property tax increase of **$10,000–$30,000 or more per year** — starting immediately after transfer. This affects your cash flow, your hold/sell decision, and your timeline. Understanding this before making any decisions is essential.

The person who placed this guide in this file worked with Daniel Rogers to understand and plan for this transition. He is the recommended first call.



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Print this page and keep it with your trust documents or estate file.
A free Prop 19 Impact Report is available at any stage.

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