

Property Tax:

California: Transfer of Real Property from Corporation to Trust Triggers Change in Ownership

Case No. S266590, Cal. (5/30/24). In a case involving the transfer of real property from a corporation to a trust that owned all the voting stock in the corporation, the California Supreme Court (Court) affirmed that such transfer constituted a “change in ownership” under the facts for purposes of California’s “Proposition 13” limitation exception and thus a property tax reassessment was appropriate. The corporation had two classes of stock, and the property was transferred solely to the shareholders with voting stock. In concluding there was a change in ownership, the Court noted that the California State Board of Equalization’s implementing regulation and interpretative materials were either not pertinent or failed to directly consider the issue presented here. The Court concluded that the exception to California’s reassessment rule for transfers that do not change the proportional ownership interests in property did *not* apply because entities/shareholders other than the trust owned nonvoting stock in the corporation, and these entities/shareholders did not have an interest in the real property after the transfer. Under the facts, a family corporation had transferred ownership of a pair of supermarkets to one of its shareholders, a revocable trust; the trust held all the corporation’s voting stock. However, the corporation also had a small number of individual shareholders who held nonvoting stock; those shareholders had no interest in the trust. In this respect, the Court reasoned that the transfer of the properties to the trust “eliminated whatever interests the individual shareholders held in the corporation’s real property.” Please contact us with any questions.

URL: <https://www.courts.ca.gov/opinions/documents/S266590.PDF>

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