



February 2021

RE/MAX GOLD COAST

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Ready for Tax Time?

Dear HarborWalk Owner:

It's never too early to begin preparing for tax season! Take some time this month to take stock of your finances and tax situation, so you won't have to stress come April.

Each year, there are a few changes to the tax policy that you'll want to be aware of when filing your tax returns. In this month's Item of Value, you'll find a brief outline of the most significant updates and important deadlines, as well as information about COVID-19 relief and your taxes. I'll also share a few factors that will help you decide when to go with a pro when it comes to filing your taxes.

If you decide you need help with your taxes, give me a call. I can connect you to a trusted and thorough tax professional in my network who can get the job done right. Prepare now to get ahead of the game and make your life easier this spring!

Sincerely,



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Oh, by the way®...if you know of someone who would appreciate the level of service I provide, please call me with their name and contact information. I'll be happy to follow up and take great care of them in a way that is healthy and safe.



PROVENCHER TAX SERVICE

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NEW CA PROP 19 (Eliminates 58, 60 & 90)

NOTE - Applies to California Taxpayers who own real estate in CA.

Historical basics of CA Real Property Tax Laws:

Prop 13 – The “Mother-Law” – kept real estate property taxes “low” over time. Californians voted for this in 1978 as a revolt for ever increasing property taxes. Taxes couldn’t increase more than 2% per year. The “clock” restarts again (reassessment) when the property changes hands with a new purchase.

Prop 58 – This goodie allowed for a property tax transfer between Parents to their Children on the Parent’s real estate. This is / was a sweet one. Generally, adult children could take ownership (via gift or inheritance) of their parent’s property(ies) at their parent’s exceptionally low property tax rates. It could then be passed on again to the next generation! And so on. (Counties did not like this too much.)

Prop 60 – Age over 55 – You could sell your older Prop 13 protected home and take the low property tax base **WITHIN the SAME County** if your purchased replacement home was no more than the home you sold.

Prop 90 – Here we voted for a better Prop 60. This Prop, like 60, said (if over 55) you could sell your expensive CA primary home (with low Prop 13 taxes) and move into another *participating / reciprocating* County. Out of the 58 CA Counties, very few participated – maybe seven or so. Due to the limited County options this was rare.

Prop 19 (NEW)! – There are **two** different elements to this proposition:

The first one (“Pro”) is a variation of the above **60 / 90 Props**. It says those over 55 can move and take their low primary property taxes **to any CA County!** Additionally, sellers are NOT limited to no more than the selling price of their home. If your modest CA home (**say in Silicon Valley**) sells for a simple \$1.5 million and you find a cute little bungalow in Carmel (or a lavish home at Shasta on 10 acres) for \$2.0 million, you take your lower property tax base up to that 1.5 mill and then tack on the portion (500K) above that. This seems fair.

Realtors and Real Estate lobbies were pushing this one hard. Why? to potentially free up properties that older people (**like me – people over 55**) have been sitting on their homes because property taxes under Prop 13 kept them relatively low (**like mine – I’ve owned my home for 40 years now**). Got it?

NOTE – This part applies to homes purchased AFTER April 1, 2021. These new Prop 19 rules apply to not just only 55 and above, but also to those severely disabled and people whose properties have been severely damaged by California wildfires.

The second one (“Con”) is a variation of Prop 58 – it’s NOT so generous. Unfortunately, **Parents can no longer pass on their lower home property taxes UNLESS the child moves INTO that home and it becomes their primary residence.** Rentals no longer work - Parent dies, child gets rental properties, taxes GO UP to current market value. (This is potentially huge and expected to be a good revenue raiser for County Governments.)

NOTE – This part takes effect for property transfers beginning AFTER February 15, 2021.

BTW - I pulled the exact language of Prop 19 and there really is not all that much “legal” and “definitions” to it. It concludes that “**CA Department of Tax**” shall promulgate regulations for implementation... Which means rules & regulations will be rolled out over time to clear up grey areas - like *what if we move in and later move out?*

So, there you have it in a nutshell – Prop 19. I have many clients who are Real Estate Professionals at all levels. You are welcome to print this and place it in your tools for reference! And I’m here for you these complicated real estate tax questions when they crop up.

Chris Provencher, EA

December 2020

Ready for TAX TIME?

As you begin preparing your tax return for 2020, here's a snapshot of what you'll need to know.

Standard Deductions Increased Slightly¹

Filing Status	2019	2020
Single	\$12,200	→ \$12,400
Married Filing Jointly	\$24,400	→ \$24,800
Head of Household	\$18,350	→ \$18,650

Retirement Contributions for Tax Year 2020¹

Individual contributions are unchanged for 401(k)s and Individual Retirement Accounts (IRAs).

	Under Age 50	Over Age 50
401(k)	\$19,500	\$26,000
IRA	\$6,000	\$7,000

No Tax on Stimulus Checks

The payment many Americans received in 2020 under The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) — \$1,200 for singles, \$2,400 for couples filing jointly — was an advance distribution of a 2020 tax credit, and will not be taxed.²

Important Dates in 2021



Deadline to file and pay taxes or request an extension.



Last day to file a tax return if you received an extension from the IRS.

Retirement Tax Restrictions Ease Up

Qualified individuals who had to tap into retirement accounts early in 2020 because of the COVID-19 pandemic are getting a break.²

- ✓ More time to pay back early withdrawals without being taxed.
- ✓ No income tax required on money borrowed from 401(k) if paid back in five years.
- ✓ 10% penalty waived for early IRA and 401(k) withdrawals.



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Save Time With a **TAX PRO**

Hiring a tax pro could make a lot of sense depending on your situation. Here are a few instances when you might consider going pro.

You Have a Lot on Your Plate

Tax season can be stressful, and if you're worried about making errors or running out of time, it might be easier to bring in a tax pro to handle your returns.

You Hold Multiple Jobs

If you have several side hustles, you may want to consider using a professional to keep everything straight.

You Recently Purchased a Home

Home purchases bring a new set of tax circumstances. If you're unsure of where to begin, a tax preparer can help assess your situation.

You Have a Large Investment Portfolio

Stocks and other investments can get tricky. A tax professional will make sure all your bases are covered.

Need a great tax professional? Call me for a trusted referral who will take excellent care of you and your financial situation!

[DISCLAIMER] All information is general in nature and should not be taken as legal advice or guaranteed. Readers should not rely solely on this information. Dates indicated and legal requirements may be subject to change. Contact a tax professional for more information on tax changes and preparation.