

# WSJ Print Edition

## Son Gets Golden Opportunity—Thanks to His Mom

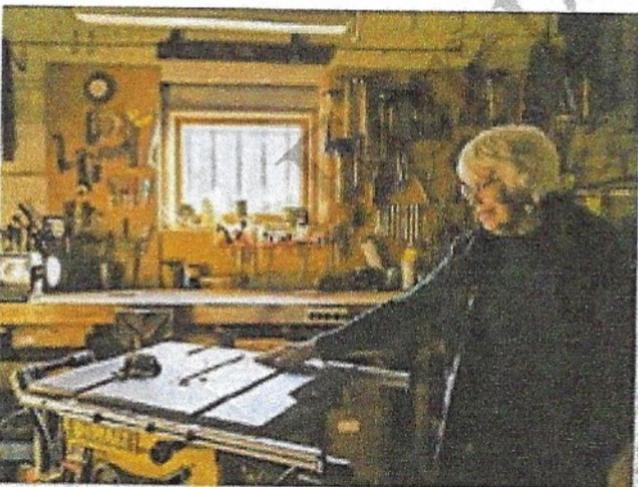
For Jameson Norris, 35, who works gig jobs like ride-share driving, the chance to inherit his mom's California homes with his sister is both a relief and humbling.

His mom, Cheryl Norris, and her late husband bought their Santa Rosa home for about \$149,000 in 1998. Decades later, the home has roughly quadrupled in value. And his mom's San Rafael hilltop home, valued at about \$281,500 in 1985, is now worth an estimated \$1.8 million.

Jameson said he would likely never be able to buy his own house in San Rafael, where the typical home costs about \$1.2 million, according to Zillow.

"It's a bit depressing knowing it's nearly impossible for me to buy my own place," he said, "even though I'm so grateful."

image



Cheryl Norris with her carpentry tools in her home's workshop. MICHAELA VATCHEVA FOR WSJ

## More People Are Inheriting Their Homes

**In California, taking over a place is the only option for some, and there are tax breaks too**

BY NICOLE FRIEDMAN AND VERONICA DAGHER

Inheritance is one of the last reliable ways for younger Californians to own their first home.

About 18% of all property transfers in the state last year, representing nearly 60,000 homes, were made through inheritance, according to a recent analysis by real-estate data firm Cotality.

That share is a record for California in data going back to 1995, up from 12% in 2019. It is also roughly double the national share of 8.8% last year.

-Note  
-Note  
(1)

Cheryl Norris, a 76-year-old who works as an independent antique dealer, has owned a pair of homes in Northern California for decades. Her two children in their 30s don't see a clear path toward buying a home there themselves. California's home prices rank among the highest in the U.S., reaching a median single-family sales price of nearly \$900,000 last year.

When Norris dies, she plans to leave her Santa Rosa property, with its low-pitched roof and large picture window, and her more expansive three-bedroom retreat set on more than two acres in San Rafael to her daughter and son.

"Even though my kids work as hard as I did, it's sad that inheritance is their best shot at homeownership here," she said.

The state's high rate of inherited homes reflects California's unique circumstances: years of skyrocketing home prices, and tax policies that encourage owners to avoid selling their houses before they die.

The people who inherit these houses enjoy tremendous benefits. They can move into homes that they otherwise might not be able to buy at current prices, or they can sell them and keep the proceeds without having to pay capital-gains taxes.

But the high rate of homes passed on after death is distorting the state's housing market, favoring longtime homeowners and their families over all other home buyers. *Note*

"Homeownership has become a till-death-do-us-part scenario" in California, said Jeff Fishman, a Los Angeles financial adviser. *Note*

That limits the state's supply of homes for sale, pushing prices higher and increasing the incentive not to sell, said Ken DeLeon, founder of De-Leon Realty in Palo Alto, Calif.

"We're in this negative feedback loop," he said.

Homeowners are holding on to their properties for longer across the U.S., partly because many older people are still working or want to age in place.

While the inheritance rate is rising nationally, these rates are even higher in California, where the typical homeowner stayed put for almost 17 years in 2024. The national median was about 12 years, according to Redfin. *Note*

The situation can be traced in part back to 1978, when voters passed Proposition 13, which generally caps property-tax increases at 2% a year based on the most recent purchase price. Longtime owners pay taxes based on decades-old valuations. New buyers are taxed at much higher current market valuations. *Note*

This disparity encourages many homeowners to stay put rather than move to a different home and take on a higher tax bill. A new buyer today can pay 10 times as much property tax as a neighbor who purchased in the 1970s.

California tightened its property-tax rules in 2021 to limit the circumstances in which heirs can keep a parent's low tax rate. So only one of Norris's homes will benefit from a low property-tax bill after her death.

This change has encouraged more heirs of vacation properties to sell, said Rachel Dodson, partner at the law firm Ayoub & Dodson. But it doesn't meaningfully change the math that encourages homeowners to pass on the home to their heirs in the first place.

The specter of a huge capital-gains tax bill creates another major obstacle to selling. Federal law allows a \$250,000 exclusion (\$500,000 for couples) for homeowners selling their primary residences. With many California homes now worth millions, homeowners often have gains that far exceed these limits.

If the home is inherited, its value for tax purposes resets to its market price on the date of death. For a home that appreciated from \$200,000 to \$2 million, the heir could save more than \$500,000 in federal and state taxes, said Miklos Ringbauer, an accountant in Los Angeles.

Some politicians and housing economists want to increase the capital-gains exclusion for home sales to encourage older people to sell their homes before death.

In many parts of the country, older people need to sell their homes to cover the cost of assisted living or other types of care. But in California, homeowners with mortgages have about \$600,000 in equity on average, according to Cotality. They can take out home equity lines of credit or rent out their homes to fund their living expenses without selling.

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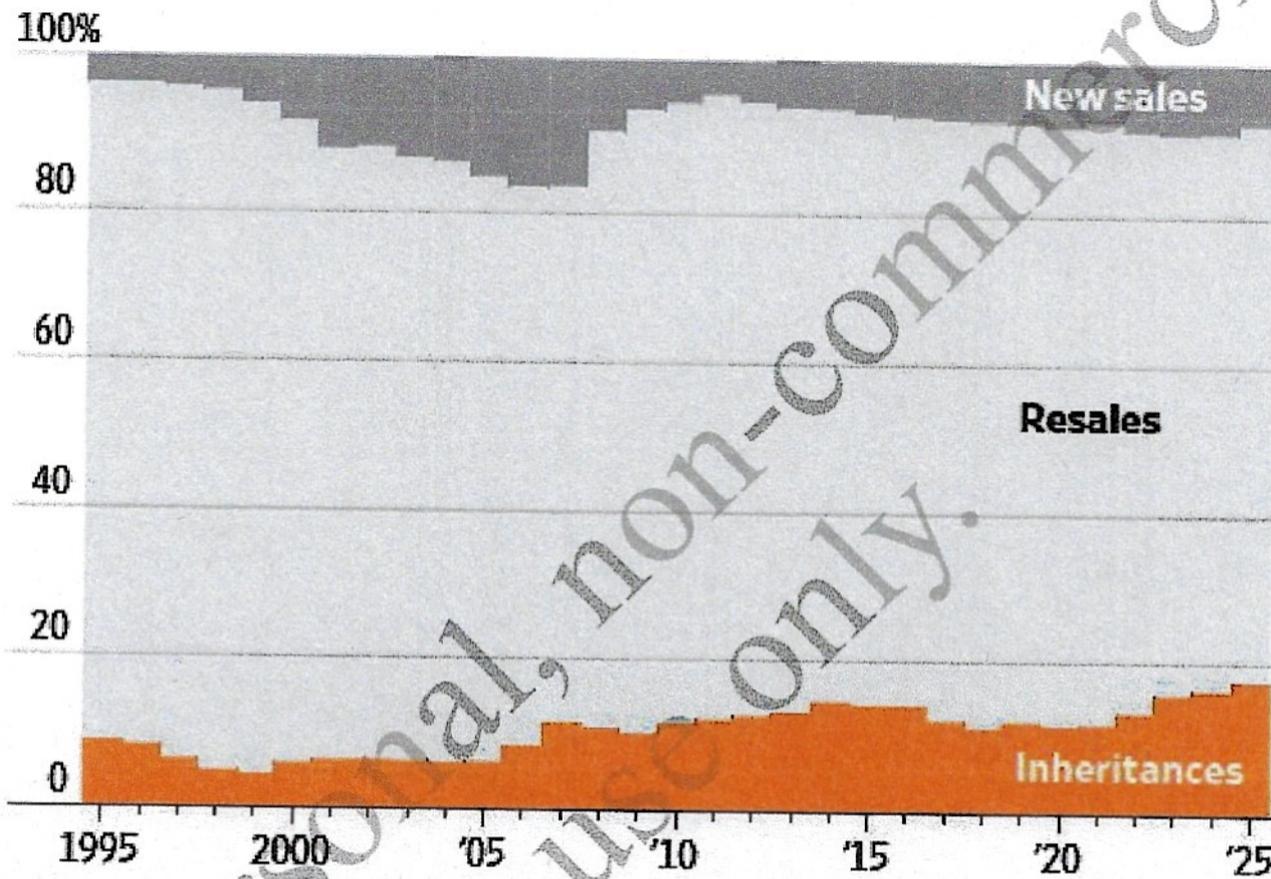
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### California property transfers



Source: Cotality

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