

MONEY MYTHS SERIES

Should You Put Your House in an LLC? The California Answer

Why an LLC is the wrong place for a California home you live in: the \$800 tax, the lost homeowners' exemption, and the Prop 19 parent-child exclusion your children can't use.

By Eric Ridley, attorney, Ridley Law · Updated September 2026 · Read online with live links: ridleylawoffices.com/house-in-llc-california/

Part of our [money myths series](#).

The claim: put your house in an LLC and you'll avoid probate, cut your taxes and make yourself lawsuit-proof.

The verdict: for a California home you live in, an LLC does none of those things well and adds costs a living trust doesn't. It costs \$800 a year in state tax, ends your homeowners' exemption, and, under the Board of Equalization's 2026 guidance, keeps your children from using the Prop 19 parent-child exclusion when they inherit. The LLC interest still needs a trust or a probate when you die.

\$800

California LLC tax, every year, even with no business

\$7,000

Homeowners' exemption an LLC-owned home can't claim

Over 50%

Cumulative transfer of LLC interests that reassesses the house, R&TC § 64(d)

10%

Penalty for a missed BOE-100-B filing, R&TC § 482(b)

\$63,170

Extra property tax over 10 years in our hypothetical when a child inherits through an LLC

Who gets paid when you follow this advice: the State of California first. The Franchise Tax Board collects \$800 a year, due "even if you are not conducting business, until you cancel your LLC." The Secretary of State charges \$70 to file the articles and \$20 for each statement of information, every two years, with a \$250 penalty if you miss one. Then whoever sets it up: formation services, registered-agent subscriptions, the "asset protection" course behind the video. California law lets any individual California resident serve as the LLC's agent for service of process, so a paid agent isn't legally required (Corp. Code § 17701.13). We didn't find a regulator-published price list for those services, so we won't guess one. The FTC did shut down an "asset protection" business opportunity in 2007 that sold for \$9,800 and found about 94% of buyers never earned back the fee.

Does putting your house in an LLC avoid probate?

Not by itself: when the only member dies, the LLC interest is part of the estate and the member's personal representative steps in (Corp. Code § 17705.04), so you still need a living trust or a probate.

The house would no longer be in your name, but the LLC membership interest would be, and it's worth whatever the house is worth. In California an estate can skip probate with a simple affidavit only if it's worth \$208,850 or less for deaths on or after April 1, 2025 (Prob. Code § 13100, as adjusted). Almost any house in an LLC blows through that limit. The people who make an LLC "avoid probate" do it by putting the LLC interest in a living trust, and at that point the trust is doing the work. A trust can hold the house directly. See [how to avoid probate court in California](#) and [what a living trust costs](#).

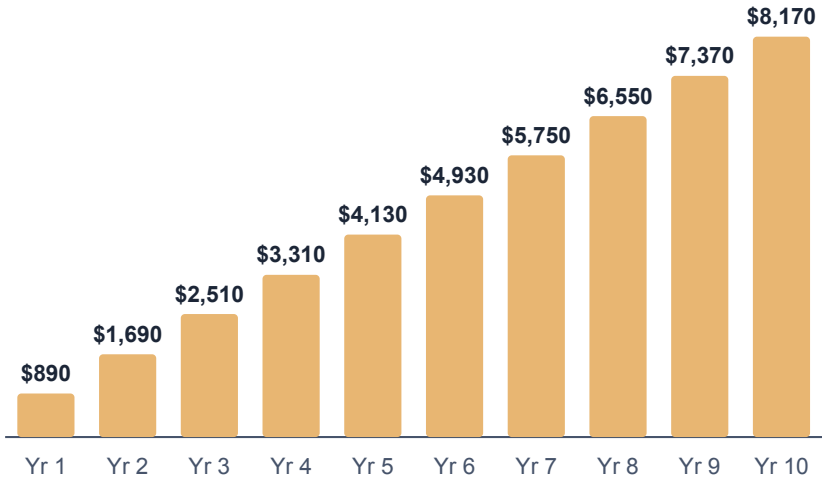
Does an LLC lower your taxes on your home?

No: a single-member LLC is ignored for federal income tax, California adds an \$800 annual tax, and the Board of Equalization says a homeowners' exemption claim "should not be allowed for property owned by a limited liability company."

Federal tax treats a one-owner LLC as "disregarded as an entity separate from its owner" (Treas. Reg. § 301.7701-3). When you sell, the home-sale exclusion in IRC § 121 works the same through the LLC as it would through a revocable trust; the regulations treat the sale "as if made by the owner" in both cases (Treas. Reg. § 1.121-1(c)(3)). California's Franchise Tax Board, meanwhile, charges every LLC organized here an annual tax of \$800 (Rev. & Tax. Code § 17941), and the first-year waiver only covered LLCs formed in 2021 through 2023 (see our [California LLC \\$800 tax](#) page).

The homeowners' exemption takes \$7,000 off the taxable value of an owner-occupied home (Rev. & Tax. Code § 218). It's small, about \$70 a year at the 1% rate, and an LLC-owned house loses it. The BOE's 2010 legal opinion is blunt: "Properties of legal entities are not eligible for the homeowners' exemption." As for estate tax, the 2026

federal exemption is \$15,000,000 per person (Rev. Proc. 2025-32), and an LLC holding your own home doesn't change that math for nearly anyone.



Assumes formation in year 1 and a statement of information every two years. Excludes registered agent, tax preparation for Form 568, and legal fees.

Year	Franchise Tax Board annual tax	Secretary of State filings	Running total
1	\$800	\$70 articles + \$20 statement	\$890
2	\$800	\$0	\$1,690
3	\$800	\$20 statement	\$2,510
4	\$800	\$0	\$3,310
5	\$800	\$20 statement	\$4,130
6	\$800	\$0	\$4,930
7	\$800	\$20 statement	\$5,750
8	\$800	\$0	\$6,550
9	\$800	\$20 statement	\$7,370
10	\$800	\$0	\$8,170

Does moving your house into an LLC trigger a property tax reassessment?

Not on the day you do it, if you own the LLC in the same proportions you owned the house (Rev. & Tax. Code § 62(a)(2)), but it makes you an "original co-owner," and once more than 50% of the LLC interests change hands, cumulatively, the whole house is reassessed (§ 64(d)).

A deed from you to your own LLC is excluded as a change in the method of holding title. BOE Property Tax Rule 462.180 then labels you an original co-owner "for purposes of determining whether a change in ownership has occurred upon the subsequent transfer of the ownership interests." From then on, a gift of LLC interests to the

kids, a sale of half to a new spouse, or your death can add up to more than 50% and reassess the house. A single-member LLC doesn't get a pass: the BOE says it "must be treated as a separate legal entity for property tax purposes" even though the IRS ignores it.

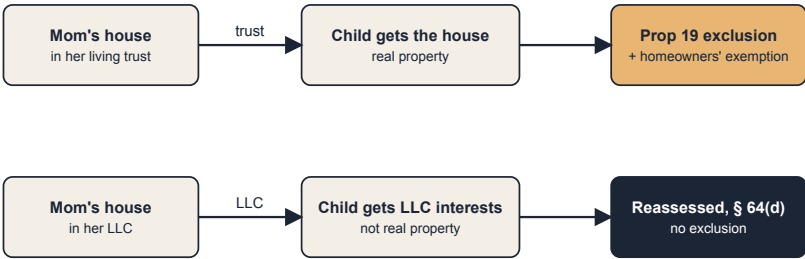
These transfers happen on paper, with no deed recorded, so the law puts the burden on you. When an LLC's interests change hands in a way that's a change in ownership, the LLC must file a statement (Form BOE-100-B) with the Board of Equalization within 90 days (§ 480.2). Miss it and the penalty is 10% of the taxes on the new assessed value (§ 482(b)). The BOE runs a whole program, the Legal Entity Ownership Program, because entity changes "have not been captured by a county's own discovery systems." In *Prang v. Los Angeles County Assessment Appeals Board No. 2* (2020) 54 Cal.App.5th 1, a court of appeal held that taxpayers "must strictly comply" with the notice rules, which let the assessor issue escape assessments totaling \$16,014,000 going back years. That was a commercial building, but the rule is the same for a house.

The documentary transfer tax can follow too. The California Supreme Court held in *926 North Ardmore Avenue, Inc. v. County of Los Angeles* (2017) 3 Cal.5th 319 that the county tax "may be imposed when a transfer of a legal entity results in a change in ownership of real property under section 64, subdivision (c) or (d)," as long as the transfer is a sale. Compare that with a house in a living trust: our page on [whether a trust transfer triggers reassessment](#) explains why the usual transfer to your own revocable trust doesn't.

Can your children keep your Prop 13 tax base if the house is in an LLC?

No: the Prop 19 parent-child exclusion covers real property, and the statute says "real property does not include any interest in a legal entity" (Rev. & Tax. Code § 63.2(e)(8)).

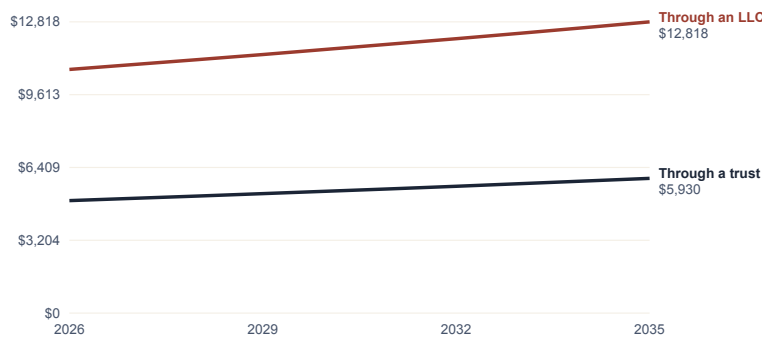
The Board of Equalization answered this exact question in its August 2026 Prop 19 guidance (Letter To Assessors No. 2026/026). Parents deed their home to their LLC, the last parent dies, and the two children inherit the LLC interests. The BOE's answer: "No, even if the property was a family farm, the Children inherited interests in the LLC, not real property." The same answer applies to a mom who moved her home into a single-member LLC. And a son who inherits the family home with the exclusion and then moves it into his own LLC loses it: "a transfer of the property into the LLC will render it ineligible for the Homeowners' Exemption," and without that exemption the exclusion is removed.



Step	Living trust	LLC
What the child inherits	The house (real property)	LLC interests (not real property, R&TC § 63.2(e)(8))

Step	Living trust	LLC
Parent-child exclusion	Available if the child moves in and files	Not available (BOE LTA 2026/026, Q33 and Q34)
Homeowners' exemption	Available to the owner-occupant	Not available while an LLC holds title
Probate	Avoided	The LLC interest itself needs a trust or probate

Take a home bought in 2000 for \$300,000 and inherited in 2026 by a son who moves in. Through a trust, he can keep his mother's factored base, because the home's market value is under the Prop 19 cap of the old base plus \$1,044,586 for transfers through February 15, 2027. Through an LLC, the house is reassessed to market and gets no homeowners' exemption.



Hypothetical. Bought in 2000 for \$300,000. Trust route: factored base of \$502,025 (2% a year, the most the law allows) less the \$7,000 homeowners' exemption. LLC route: reassessed to \$1,072,545 (FHFA California house price index, 2000 average to 2026 Q2), no exemption. 1% general levy only; local voter-approved taxes are extra.

Year	Through a trust	Through an LLC	Extra cost of the LLC
2026	\$4,950	\$10,725	\$5,775
2027	\$5,051	\$10,940	\$5,889
2028	\$5,153	\$11,159	\$6,006
2029	\$5,258	\$11,382	\$6,124
2030	\$5,364	\$11,610	\$6,245
2031	\$5,473	\$11,842	\$6,369
2032	\$5,584	\$12,079	\$6,495
2033	\$5,697	\$12,320	\$6,623
2034	\$5,812	\$12,567	\$6,755
2035	\$5,930	\$12,818	\$6,888
10-year total	\$54,270	\$117,441	\$63,170

That's about \$5,775 more in the first year and \$63,170 over ten, in exchange for nothing. Our [Prop 19 parent-child exclusion](#) page covers the two requirements that matter, and the [Prop 19 calculator](#) runs your own numbers.

Does an LLC protect your house from lawsuits?

Less than the videos claim: you're still personally liable for your own negligence (Corp. Code § 17703.04), and in California a creditor of yours can get a charging order against your LLC interest and ask the court to foreclose and sell it (Corp. Code § 17705.03).

An LLC's debts aren't yours just because you're a member. But the statute adds that this doesn't change a member's liability "for the member's participation in tortious conduct," and members remain subject to alter ego liability. If a guest trips on your stairs, they can sue the LLC that owns the house and you as the person who lives there and maintains it. On the other side, if you're sued over a car accident, your creditor can get a charging order against your LLC interest and, if distributions won't pay the judgment in a reasonable time, the court may "foreclose the lien and order the sale of the transferable interest."

California's homestead exemption, which you already have, shields the greater of \$300,000 or the county's median home price, capped at \$600,000 (as adjusted), of equity in the home where you live (Code Civ. Proc. § 704.730). Whether it still applies when an LLC holds title is an open question; we found no California case deciding it. See our [California homestead exemption](#) page and [what actually works for asset protection in California](#).

What happens to your mortgage and title insurance?

Federal law stops a lender from calling your loan when you move your home into a revocable trust, but it says nothing protective about an LLC (12 U.S.C. § 1701j-3(d)(8)).

The Garn-St Germain Act lists transfers a lender can't treat as a sale under a due-on-sale clause, including "a transfer into an inter vivos trust in which the borrower is and remains a beneficiary." A deed to an LLC isn't on the list, so you'd be relying on your lender's discretion. Refinancing gets harder too: Fannie Mae "only accepts individuals as credit-qualifying borrowers" and makes an exception for revocable trusts "to accommodate the use of trusts as an estate planning tool." There's no matching exception for LLCs.

Title insurance is less dire than some lawyers warn, but check your policy. The 2021 ALTA owner's policy keeps coverage when you convey to an entity "wholly owned by the Insured" or to an estate planning trust, and otherwise "terminates and ceases to have any further force or effect after the Insured conveys the Title." Older policy forms may read differently.

When does an LLC make sense for real estate?

For rental and investment property, where there's a business to separate from your personal life and the LLC can carry its own insurance, an LLC owned by your living trust is often a sound setup.

Even there, the property tax rules above still apply, and the \$800 a year has to be worth it. Our pages on [whether your California rental should be in an LLC](#) and [the rental LLC guide](#) walk through when it pays. For the version of this pitch that uses a Wyoming or Nevada LLC, see [the anonymous LLC myth](#).

What should you do instead?

1 Put the house in a revocable living trust

It avoids probate, keeps the homeowners' exemption, preserves your children's ability to use the Prop 19 exclusion, and is protected from due-on-sale clauses by federal law.

2 Buy enough liability insurance

For a home you live in, homeowner's liability coverage and an umbrella policy are the first line of protection against the lawsuits these videos warn about.

3 Know what the homestead exemption already protects

The equity protection in Code Civ. Proc. § 704.730 is already yours for the home you live in.

4 If your house is already in an LLC, get it out carefully

Deeding it back is usually excluded under the same proportional-interest rule, but check the BOE filing rules and any lender consent first, and then [plan for the Prop 19 filing](#) your children will need.

Goal	House in an LLC	House in a living trust
Avoid probate	Only if a trust owns the LLC interest	Yes
Annual state cost	\$800 tax plus \$20 every two years	None
Homeowners' exemption	Lost	Kept
Prop 19 parent-child exclusion for your kids	Not available (R&TC § 63.2(e)(8))	Available if they qualify
Reassessment risk during life	Any cumulative transfer over 50% (§ 64(d))	None for transfers into your own revocable trust
Due-on-sale protection	None in the statute	Yes, 12 U.S.C. § 1701j-3(d)(8)
Lawsuit protection	Charging order, foreclosure allowed in California	None, but the homestead exemption and insurance apply

Frequently asked questions

Can I put my primary residence in an LLC in California?

You can, but you'll pay \$800 a year, lose the homeowners' exemption, and set up a reassessment when the LLC interests pass to your children, with no Prop 19 parent-child exclusion available.

Does a single-member LLC count as me for property tax?

No. The IRS disregards it, but the Board of Equalization says a single-member LLC "must be treated as a separate legal entity for property tax purposes."

Can my living trust own an LLC that owns my house?

It can, and that does avoid probate, but the house is still LLC property: no homeowners' exemption, and no parent-child exclusion when the LLC interests pass to your children. The trust alone gets you the probate benefit without those costs.

Do I need a paid registered agent for a California LLC?

No. The agent for service of process can be "an individual who is a resident of this state," which includes you.

What if my house is already in an LLC?

Talk to an estate planning attorney about moving it into a living trust. The transfer out of the LLC needs to be handled so it's excluded from reassessment, and any required BOE filing is made on time.

Is putting my house in a trust or an LLC better for my kids?

A trust, for a home you live in. It passes the house to them as real property, which is what the Prop 19 parent-child exclusion requires.

This page is general information about the law as of its update date. It isn't legal, tax, or investment advice for your situation, and reading it doesn't create an attorney-client relationship.

More myths from social media, checked against the actual rules: [the money myths series](#).

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Questions about your own plan?

Ridley Law helps California families with trusts, wills, trust administration and probate from Port Hueneme, serving Ventura, Santa Barbara and Los Angeles counties. The first call is free and runs 30 minutes.

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