

## Residence Homestead Exemption and Limitation on Appraised Value for Residence Homesteads

Texas Property Tax Code Section (PTC) 11.13(b) requires school districts to offer a \$25,000 exemption on residence homesteads and PTC Section 11.13(n) allows any taxing unit the option to decide locally to offer a separate residence homestead exemption of up to 20 percent of a property's appraised value. The local option exemption cannot be less than \$5,000. PTC Section 11.13(a) requires counties that collect farm-to-market or flood control taxes to offer a \$3,000 residence homestead exemption.

There are no specific qualifications for the general homestead exemption other than the owner has an ownership interest in the property and uses the property as the owner's principal residence. An applicant is required to state that he or she does not claim an exemption on another residence homestead in or outside of Texas.

The Limited Appraised Value provision of the Texas Property Tax Code limits the amount the Appraisal District can increase your property value. This limitation only applies to the house you own and live in; it does not apply to any other property that you own. If you do not have a residential homestead exemption on your property, then this limitation to the value does not apply to you.

The appraised value of a residence homestead is limited to an increase of no more than 10 percent per year unless new improvements, excluding ordinary maintenance, have been made. This limitation takes effect on January 1 of the tax year following the first tax year the taxpayer qualifies for any homestead exemption and expires on January 1 of the first tax year that neither the taxpayer or the taxpayer's spouse qualifies for a homestead exemption. Your property will now carry two values:

- the limited appraised value which is the value, less exemptions, that your taxes will be based on, and
- the market value which is the true value of the property.

For example, the appraised value of your residence homestead was \$50,000 last year. This year the Appraisal District appraises your property at \$60,000. No new additions or improvements have been made to the property since last year. The limited appraised value is calculated as follows:

$$\$50,000 \times 10\% = \$5,000 + \$50,000 = \$55,000$$

Your taxes will be based on the limited appraised value of \$55,000 less any exemptions; however, the market value of your property will remain at \$60,000. If your property value remains at \$60,000 next year, the value may increase 10 percent over this year's value of \$55,000 providing it does not exceed the market value of \$60,000. Next year, the value would be calculated as follows:

$$\$55,000 \times 10\% = \$5,500 + \$55,000 = \$60,500$$

Should you sell your property or no longer qualify for any homestead exemption, the limitation on the appraised value of your property will be removed and the tax base will increase to the market value.

Since this figure exceeds the market value of \$60,000, the limited appraised value will equal the market value of \$60,000.

If you currently have ownership interest and occupied your home as your principal residence as of January 1, and you are not receiving another residence homestead exemption anywhere, you may contact the Colorado County Appraisal District by mail at P.O. Box 10, in person at 106 Cardinal Lane, Columbus, TX or by phone at (979) 732-8222 for more information about the residence homestead exemption.