

What is a Homestead Exemption

Alvin Lankford – Chief Appraiser of Williamson Central Appraisal District

When looking at your appraisal notice, one of the other areas you'll want to look at is up here, and that's the box that's up in this right-hand corner, and that is going to be the exemptions that are applicable to your property, that we actually have on your property. If you have a homestead or it's one that you've applied for, that's where you would look for that exemption. The homestead does a couple of things for you. The first is it is an exemption, and that exemption is state mandated to come off of the value of your property for school tax purposes. Right now, that's a \$40,000 exemption, so when we're calculating, or I should say when Larry's office is calculating your tax bill, one of the things they'll look at is they'll take the full market value down by the amount of the exemptions before multiplying it times the rate for the school. That's the first component of the homestead exemption.

The second component is the Homestead cap. People get those two confused. They are two independent portions of the homestead process. The cap is a cap on your assessed value. That is a 10% increase max by law that your assessed value can increase. Notice I didn't say market value. Your market value needs to follow the market wherever it's going by law. We have to be at 100% of market value. From one year to the next, we're going to follow that market wherever it is going. Last year was a 50% increase. This year it's approximately a 12% decrease. We're following the market. That assessed value in that cap is going to cap us at an increase of 10% before we apply any tax rate to it, so that is a huge component, especially in this area with the amount of growth that we've seen, is to have that 10% cap in place.

An important component of that is you have to be in the home for a full year cycle from January 1 to January 1 before it'll apply. Many people who bought in 2022 think they should have their Homestead cap in place, and we send out the 2023 appraisal notices, which we'll be sending out shortly. That is not the case. You can apply for your homestead exemption, and if you buy you're buying a home that has not been occupied before or is a rental home that did not have a homestead on it, you can apply for your homestead exemption, and we will prorate that exemption on at the time of purchase through the end of that year. However, your cap does not take place to the following year. You have to be in there, again, you bought it in June of last year, in 2022, and January 1 of 2023 comes along, we send our appraisal notice out in the end of March, early April, it will show the homestead on there as an exemption, but your cap will not be in place until we send out

values next year for 2024. You have to be in there that full calendar year in order for that Homestead cap to apply.

Larry Gaddes – Williamson County Tax Assessor/Collector

I explain it because we get this question a lot at our office as well. Number one, I would point out exemptions are applied for at the Appraisal District, so we get a lot of phone calls and a lot of emails of people actually sending us the homestead application, or they're on our website looking for the homestead application, or how to apply on our website. Again, that changes the property record meaning you're adding something to it and that didn't exist previously so you would go to the Appraisal District to apply for any exemption that you're eligible for.

When talking about the homesteads, and the questions that we get when people got their 2022 tax bill, holy smokes, I just bought my house and my tax bill went up much more than it did when we paid the taxes in 2021. Typically the scenario was, we purchased a home in 2021, and I think any realtor will agree, the market was hot and homes were selling, were being sold and bought all over the county at the fastest rate that they had ever been. Just the transactions, the number of transactions that were happening in the county in 2021 and 2022 were record-breaking and so people that purchased their home in 2021, and they paid the tax bill in 2021, were paying a tax bill based on the previous owner's homestead exemption. That tax bill may have been \$5,000 or \$6,000.

Then, in 2022 the person that purchased a home in 2021, they now qualified their property for their own Homestead, their tax bill is now calculated basically on the market value of the home in 2022. That is something that a lot of people did not understand was going to happen. They saw that their tax bill was \$5,000 in October of 2021. They kind of expected that, or they thought that, well there's a 10% cap on my taxes because there is a homestead, and there's a homestead from the previous owner, and nothing's going to change. It's just going to be my Homestead moving forward, so that 10% cap comes into play.

I think what people don't understand and need to, and this is a big thing that has happened, is the protections provided by the previous owners Homestead kind of get wiped out, and you start over. The First full year, that first January 1 that a property owner is in there in their home, that creates the base year. That value in that year that you're in the home on January 1 creates a base year, and the 10% cap is then calculated on subsequent years. If you purchased your home in 2021, 2022 is now your base year.

Unfortunately, that is a really high number because values increased 50%. That is now your base year, and your 10% cap will get calculated on subsequent years after 2022. Think of that first January 1 year as your base year, and then your 10% cap gets calculated. There's a there's a big misunderstanding in the general public about that and how that works. Unfortunately, people weren't asking that question of your office or mine before they were buying that home, and they experienced a very large increase in their tax bill for 2022.

Before you go out there and buy, please talk to your realtor, call the tax office, we'll walk you through that process. Call the Appraisal District and they can explain that process. Highly recommend asking a lot of property tax questions before you buy a home, because the property taxes are so large, they're very high in Texas because of how we're built, and how we fund government, but because they're so big I certainly encourage taxpayers to ask a lot of questions about property taxes when they're buying a home.

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Absolutely. I'll add to that in just saying the homestead cap is a protection for you. Not the prior owner. Prior owners, they paid the taxes last year, even if you paid your portion of them in your closing, it was a protection for them. Now the cap is a protection for you. It is 10% from one year to the next not from what the prior owner paid to what you paid. It's kind of a breaking point. It gets wiped out, and you start from there. The same goes for over 65 freezes. Those go away. If you're looking at the prior owner's tax bill, make sure that they don't qualify for something that you don't. If they have something on there that is something you do not qualify for, that will change the tax bill dramatically. It's important for you to pay attention to all those details. Ask those questions. I will say I always rephrase phone calls, only because we're only open 40 hours a week, and you can look up all this information on wcad.org. We have countless articles in a help center that's right on the website. We have information that you can actually read exactly how that is calculated, right on our website, any time of day or night. It's really easy to go out there and get that information.

[Larry Gaddes](#)

I would say thank you Rebecca and Paul Cummings for allowing us to sit here and talk about this stuff and videotape this for others to share, but I will make this plea. To all the Realtors out there that are looking at MLS when they're shopping for properties for their clients. MLS can have tax related data in their system that is up to a year old. They are not up to date on their tax information all the time, but also the only tax information that MLS typically has is the most recent taxes that have been paid by the person that's selling the

home. That person can have an over 65 exemption. If that person is 80 years old, they have been in that house for 15 years, and have their taxes have been frozen for 15 years, they're paying a much lower tax bill than the next person will pay when they buy that home and those exemptions get removed. Please don't rely solely on MLS data, especially around the tax information in MLS. Tell your client that these are the taxes that you're going to pay.

We have a tax estimator on our website. If you go to tax.wilco.org and search for a property, and I'm hoping this would be properties that your clients are looking for. Every property has an icon with a tax estimator on it. You can go to that icon. It'll take you to our tax estimator. We recommend putting the sales price for that property as the custom property value. How much are you going to pay for this tax for this property? Put that number in for the custom property value, hit calculate. It'll give you an estimate of the taxes based on the tax rates that we have available to us at that time. That is going to be your best estimate of the taxes that are going to be paid by the person that's purchasing that property. It is not going to be the tax information that's in MLS. That is sometimes very dated information, and it's based on exemptions that could significantly reduce the taxes that that seller is paying at this time.

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It's based on value from the prior year, it's based on rates from the prior year, and it's based on all the exemptions and other information that that prior owner actually qualified for. Very bad information to use when going forward and looking at the estimated taxes for you. One of the other scenarios that I thought of when you were discussing that was, if the property is brand new, many times the account that was there for the prior year was land only. If you're calculating taxes don't go back and look at last year's value, and we had a \$100,000 lot value on the property, and you're paying \$600,000 for a home to be there, I would use that \$600,000 in Larry's tax estimator to try to calculate the amount of taxes that you may be paying when the tax bills are due.