



Limitations of the Texas Residence Homestead Tax Exemption 10% Cap on Increased Assessed Values

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The Texas Property Tax Code Section 23.23 places a 10% limitation on the amount the appraisal office may increase the appraised value of a residence homestead from one tax year to the next. However, Texas Property Code Section 23.23(c) describes when this limitation is applied by the appraisal district. This section reads:

“(c) The limitation provided by Subsection (a) takes effect as to a residence homestead on January 1 of the tax year following the first tax year the owner qualifies the property for an exemption under Section 11.13. The limitation expires on January 1 of the first tax year that neither the owner of the property when the limitation took effect nor the owner's spouse or surviving spouse qualifies for an exemption under Section 11.13.”

- Texas Property Tax Code Section 23.23(c)

What Does This Mean?

For new homeowners there will effectively be a “gap year” between the purchase of the homestead and when the 10% limitation on increases in the appraised value is applied. The key wording of Section 23.23(c) is “takes effect as to a residence homestead on January 1 of the tax year following the first tax year the owner qualifies the property for an exemption”. This means property qualifying for the 10% cap is a two-step process:

1. First, the owner must be of record as having the residence homestead tax exemption on January 1 after the property was purchased.
2. Second, the following January 1 the 10% cap on increases of the appraised value will be applied.

Examples

Example 1: April 25, 2022 John Tuttle buys the home of Ben Pierce.

- January 1, 2023 John Tuttle claims the residence homestead tax exemption.
- January 1, 2023 is the first January 1st John Tuttle is recorded as having the residence homestead tax exemption on the property.
- January 1, 2024 the 10% cap on increases of the appraised value will take effect.

Example 2: May 23, 2022 Walter White buys a rental house owned by Marty Byrde.

- Walter White immediately applied for the residence homestead tax exemption.
- January 1, 2023 will be the first January 1st Walter White is recorded as having the residence homestead tax exemption on the property.
- January 1, 2024 the 10% cap on increases of the appraised value will take effect.

Example 3: July 5, 2022 George Glass buys the home of Jan Brady.

- April 30, 2023 George Glass claims the residence homestead tax exemption.
- The Central Appraisal District will record the residence homestead tax exemption as starting on January 1, 2023 for George Glass.
- January 1, 2023 will be the first January 1st George Glass is recorded as having the residence homestead tax exemption on the property.
- January 1, 2024 the 10% cap on increases of the appraised value will take effect.

Example 5: November 12, 2020 Troy Landry bought the home of Saul Goodman.

- Troy Landry forgot to file the residence homestead tax exemption by the April 30, 2021 deadline.
- February 1, 2022, Troy Landry claims the residence homestead tax exemption for 2021.
- The Central Appraisal District will record the residence homestead tax exemption as starting on January 1, 2021 for Troy Landry.
- January 1, 2021 will be the first January 1st Troy Landry is recorded as having the residence homestead tax exemption on the property.
- January 1, 2022 the 10% cap on increases of the appraised value will take effect.

Conclusion

Homeowners in Texas, that have claimed their residence homestead tax exemption, are protected from the appraised value of their homestead increasing by more than 10% from one tax year to the next. However, there is a limitation to this protection. The homeowner's name must be recorded as having the homestead property tax exemption on that property on January 1 of the year after purchase. The following January 1 will then be the time when the 10% limitation on the appraised value increase will be applied.