

## Market Value

Per the Texas Property Tax Code, all taxable property must be valued at 100 percent of market value as of January 1 each year. This value is shown on your notice as “Market Value.” Because it is based on recent sales, the Market Value may change upwards or downwards any amount depending on recent market trends and is not limited to increases of 10 percent or more. It may change as much as the current market changes.

## Homestead Limitation (aka Residence Homestead “Cap”)

A homestead limitation is a limitation or cap on the amount of value a property will be taxed from year to year. The appraisal district identifies the homestead limitation amount as the “appraised value”. The limitation slows the annual increase of a property tax bill by reducing the amount of value subject to taxation. For residence homesteads, the annual increase is limited to 10% more than the previous year’s appraised value (plus any new improvements). For example:

In 2021, a property with a residence homestead has a market value and appraised value of \$100,000. Over the next year, prices in the area soar and the appraisal district values the property at \$140,000 for tax year 2022. Since the property had a homestead on January 1, 2021, the appraised value can only increase by 10% plus any new construction. The market value for 2022 would be \$140,000, but the appraised value (with homestead limitation) would be \$110,000.

Last Year Value + 10% = Current Appraised Value

· \$100,000 x 1.1 = \$110,000

If the property owner added new construction in 2021, let’s say a \$20,000 pool, the appraised value would be \$130,000.

Last Year Value + 10% + New Imp Value = Current Appraised Value

· (\$100,000 x 1.1) + \$20,000 = \$130,000

**The limitation does not go into effect until the January 1 of the following year the property qualifies for the exemption.**

Example 1: A property owner purchases their property in December of 2021, and they qualify for their homestead exemption on January 1, 2022. The homestead limitation will not go into effect until January 1, 2023.

Example 2: A property owner purchases their property in April of 2022, and they qualify for a prorated exemption on April 5, 2022. The homestead limitation will not go into effect until January 1 of 2024, one year after the January 1 date the exemption qualified.