

## Limitation on Appraised Value for Residence Homesteads

The Limited Appraised Value provision of the 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.

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.

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:

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

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