



## HARDIN COUNTY APPRAISAL DISTRICT

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# HOMESTEAD EXEMPTION AND HOMESTEAD CAP EXPLAINED

### MARKET VALUE / ASSESSED VALUE

Texas Property Tax Code Sec 23.23 limits increases of the total assessed value to 10% from year to year if the property is under homestead exemption. This 10% increase excludes any improvements added by the property owner. This section does not limit market value increases. Market value is what a property would sell for and can change from year to year based on sales data. The assessed value is used to calculate taxes. Therefore, in some instances you will see two different values on the same property: the market value and the assessed value. The difference in those two values is the Homestead cap loss.

### 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 the 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 the 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 the 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 the 2021, let’s say a \$20,000 pool, the appraised value would be \$130,000.

**Last Year Value + 10% + New improvement Value = Current Appraised Value**

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

The limitation does not go into effect until 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 no 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, 2024, on year after the January 1 date the exemption qualified.