

HOMESTEAD EXEMPTIONS

TAKING A BITE OUT OF TAXES

By Charles E. Gilliland

Texas relies heavily on property taxes for public education, and because of this, homeowner tax burdens are high compared with most other states. To ease this situation, the Texas Property Tax Code contains a series of measures exempting qualified individual homeowners from all or part of the property tax liability.

Those who live in their own homes, are 65 or older or disabled, or who are disabled veterans can take advantage of various homestead exemption allowances. However, the exemption does not happen automatically. Owners must file a valid application with the local appraisal district to qualify for reduced taxes.

Both the owner and the property must qualify for the exemptions, and each exemption requires a timely application. An owner may file an application up to one year after taxes would have become delinquent.

The owner must occupy a property adapted for and used as a residence. The homestead exemption is not lost if the homeowner temporarily moves, does not establish another principal residence, intends to return to the home, and is absent for less than two years. Persons who intend to return but live outside of the United States as a member of the military or who live in a facility that provides services related to health, infirmity or aging may continue to receive homestead exemptions for an indefinite period. The exemption also covers up to 20 acres with the residence.

Mandatory Homestead Exemptions

A mandatory exemption is available to all owners of qualifying homesteads throughout Texas. The total amount of the exemption depends on the owner's circumstances, options exercised by the taxing jurisdictions, and property use. The Texas Property Tax Code includes several mandatory homestead exemptions. First, owners occupying a home as their primary residence can qualify that homestead for an exemption of \$3,000 of assessed value from county tax levies for farm-to-market roads and flood control. This exemption applies for all owners of a residence homestead in every Texas

county. For counties with a \$1 per hundred dollars tax rate on the listed items, this exemption will save the owner \$30.

An additional homestead exemption from school taxes reduces taxable value by \$15,000 for all qualified homeowners. This mandatory exemption applies to homesteads in all Texas school districts. A \$1 tax rate applied to this amount will reduce homestead taxes by \$150.

In addition, schools must also exempt an additional \$10,000 from school taxes for owners who are 65 or older or are disabled as defined by the Social Security Administration. Those owners who are both 65 or older and disabled cannot receive both exemptions and must choose one or the other.

The final mandatory exemption applies to disabled veterans. A veteran receiving 100 percent disability compensation as the result of a service-connected disability and rated 100 percent disabled or classified as nonemployable by the U.S. Department of Veterans Affairs or its successor is exempted from all property taxes on his or her residence homestead.

Recently, Texas voters approved constitutional amendments extending exemptions to veterans when the disability rating is less than 100 percent and the home was donated to the veteran by a charitable organization. The amount of the exemptions is linked to the percentage of disability suffered by the veteran. Voters also approved a total exemption from property taxes for surviving spouses of armed service members who were killed in action, provided they have not remarried.

Optional Homestead Exemptions

Added optional homestead exemptions may also be available to homeowners, but this situation is more complicated. The optional exemptions must be adopted by the separate taxing units before they are available to owners. For example, a city, school district or county may opt to exempt at least \$3,000 of additional value from qualified residence homesteads for disabled owners or those over age 65.

The provision in the Property Tax Code does allow each jurisdiction to exempt more than \$3,000. However, some jurisdictions may not extend this benefit at all. In some cases, a city allows this added exemption, but the school and county do not. To establish the extent of the tax relief, a homeowner must find out which added exemptions are available in their location.

In addition to this exemption for the elderly or disabled, taxing units can choose to extend an exemption of \$5,000 or up to 20 percent of the homestead's value to all qualified homeowners.

Applying for Homestead Exemptions

This list of exemptions can add up to a sizable tax break when all are available to owners. But the homeowner must apply for the exemptions. Although the taxing unit decides which exemptions to offer, it isn't directly involved in deciding whether a particular property or property owner qualifies for the exemptions.

The taxing unit provides a list of its exemptions to the appraisal district. Property owners then apply to the appraisal district for homestead exemptions. The appraisal district determines whether the owner and property are eligible. Exemptions are automatically applied by the taxing units where the property is located.

Once an owner has qualified for homestead exemptions, they need not reapply in subsequent years unless

the chief appraiser for the appraisal district requires another application. Such requests are infrequent.

Some businesses advertise that they can save homeowners tax dollars by getting them qualified for these exemptions. However, the forms necessary to qualify are easily accessible and user friendly. They are available at Office of the Comptroller, Property Tax Assistance Division, <http://www.window.state.tx.us/taxinfo/taxforms/50-114.pdf> and <http://www.window.state.tx.us/taxinfo/taxforms/50-135.pdf>.

For more information about Texas' property tax, consult Real Estate Center publication 1192, *The Texas Property Tax System* at <http://www.recenter.tamu.edu/pdf/1192.pdf>. 📍

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THE TAKEAWAY

To receive the largest possible property tax breaks, property owners should determine what exemptions their local taxing unit offers and apply for all exemptions available to them.



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