

Bandera Central Appraisal District

Homestead Cap

In order to prevent sharp increases in home property taxes from year to year, Texas voters in 1997 approved a constitutional amendment, which became effective January 1, 1998, to limit increases in the taxable value of a qualified residence homestead. To qualify, property must be your residence homestead, and you must have received a homestead exemption in your name in both the current and previous years.

Under this law, the value for tax purposes (appraised value) of a qualified residence homestead will be the LESSER of:

- the market value (what the property would sell for on the open market); or
- the preceding year's appraised value
- + 10%
- + the value of any improvements added since the last re-appraisal.

Note: The calculated value is often referred to as a "capped" value.

EXAMPLE: Mr. Jones' home appraised value for 2020 was \$100,000. Mr. Jones has made no changes to his home. In 2021, the appraisal district determines the market value of Mr. Jones' home to be \$140,000. Mr. Jones' value for property tax purposes will be the lesser of:

- \$140,000 (the market value of the home); or
- The 2020 appraised value of \$100,000 Plus 10%

Mr. Jones' assessed (taxable) value for 2021 will be \$110,000 = (\$100,000 x 10%) + \$100,000.

FORMULA TO DETERMINE LIMITATION (CAP) ON APPRAISED VALUE

10% of the 2020 Appraised Value

+

2020 Appraised Value

+

Market Value of New Improvements

=

2021 Limitation on Appraised Value