

CAPPED VALUES - LIMITATIONS ON INCREASING PROPERTY VALUES ON YOUR HOME

Prices of new and used homes have increased substantially in recent years. 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 2009 was \$100,000. Mr. Jones has made no changes to his home. In 2010, 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 2009 appraised value of \$100,000 Plus 10%

Mr. Jones' appraised value for 2010 will be \$110,000 ($\$100,000 + \$100,000 \times .10$).