

How Can a Successful Value Appeal Result in a Higher Tax Bill Than Estimated?

The Texas Constitution in Article 8, Section (1e) prescribes how the local option homestead exemption is to be calculated:

(e) The governing body of a political subdivision, other than a county education district, may exempt from ad valorem taxation a percentage of the **market value** of the residence homestead of a married or unmarried adult, including one living alone...

This calculation usually gives the maximum benefit available under the law. However, when the value of a homestead is capped below the market value, protesting your property's value, and receiving a market value reduction can lessen the homestead exemption amount and actually increase its taxable value. *How can this be? If the market value is reduced, the resulting calculated exemption amount is less and results in an increase in tax amount.* Below is an example of a situation such as this.

Beginning Value								
Taxing Units	Market Value	Assessed Value (Last year's Appr Value + 10%)	State Mandated Hs Amount	Local Option HS %	Calculated Local Option HS Amount (Markert Value* Local Option HS %)	Taxable Value (Assessed Value – State Mandated HS Amount – Local Option HS Amount)	Tax Rate	Calculated Tax Amount
Waco ISD	300,000	220,000	100,000	0		120,000	1.0285870	\$1,234.30
Waco, City Of	300,000	220,000	0	15%	45,000	175,000	0.7550000	\$1,321.25
McLennan Community College	300,000	220,000	0	20%	60,000	160,000	0.1285090	\$205.61
McLennan County	300,000	220,000	0	20%	60,000	160,000	0.3298050	\$527.69
Total: \$3,288.85								

After a Reduction in Market Value								
Taxing Units	Market Value	Assessed Value (Last year's Appr Value + 10%)	State Mandated Hs Amount	Local Option HS %	Calculated Local Option HS Amount (Markert Value* Local Option HS %)	Taxable Value (Assessed Value – State Mandated HS Amount – Local Option HS Amount)	Tax Rate	Calculated Tax Amount
Waco ISD	275,000	220,000	100,000	0		120,000	1.0285870	\$1,234.30
Waco, City Of	275,000	220,000	0	15%	41,250	178,750	0.7550000	\$1,349.57
McLennan Community College	275,000	220,000	0	20%	55,000	165,000	0.1285090	\$212.04
McLennan County	275,000	220,000	0	20%	55,000	165,000	0.3298050	\$544.18
Total: \$3,340.09								

Difference: \$51.24

This situation still results in a significantly lower tax bill in comparison to not having a homestead exemption or the entity not having adopted on in the first place. A market value reduction does not always provide a financial benefit to the owner as in the example above. **Please consider this when determining whether or not to protest.**