



Collin Central Appraisal District

LIMITATION ON APPRAISED VALUE OF RESIDENCE HOMESTEAD (Known As: 10% HOMESTEAD CAP)

Terms to understand in the appraisal process.

- a. Market value means the price at which a property would sell for cash or its equivalent under prevailing market conditions. The Appraisal District notifies property owners of its opinion of market value annually on the Notice of Appraised Value, and it is the market value that is under review at an ARB hearing. Market value is not affected by the homestead cap.
- b. Appraised value for a homestead is a calculated value, determined by the calculation below. In most cases, a reduction in market value would need to equal or fall below the appraised value for a property to realize an impact in taxes calculated. See example below. Note: In our software this value is also known as the "Assessed Value".
- c. Taxable value is calculated by subtracting exemptions from the Appraised value.

When is a homestead value "capped"?

- d. A property is eligible for a homestead CAP calculation the year following the year the current owner first qualified for a homestead as the January 1st owner.
 - a. Example: 1st qualified for HS as the January 1, 2021 owner, the 10% CAP would be available in tax year 2022.
- e. The new prorated homestead exemption for owners that did not own the property January 1st, is not capped until the year after they own the property on January 1st.
 - a. Qualified for a prorated HS January 2, 2022, or later, the first year the property will be eligible for the CAP is 2024. The new legislation specifically says that for purposes of the homestead cap a prorated exemption is assumed to be filed the following January 1st.

Determining the Appraised (CAP) Value.

The Texas Property Tax Code, Sec. 23.23 is the basis for how the homestead CAP is calculated. The Appraised Value for the current year is the lesser of two values, as outlined below.

Appraised Value is the lesser of the following:

1. Current Market Value, OR
2. Preceding year's Appraised value, plus 10%, plus
 - a. Value of new improvements added to the property (e.g. pool, room addition).

Example of a property that qualifies for 10% Cap in 2022 because the current owner had a 2021 HS.

1. 2022 Current Market Value: \$500,000
2. 2021 Appraised Value: \$400,000.
 - a. \$400,000 times 10% = \$40,000
 - b. \$0 new improvements added.
3. 2021 Appraised, plus 10%, plus \$0 new improvements added, equals \$440,000.
4. **The 2022 Appraised Value would be \$440,000, since the 2021 Appraised value plus 10% is less than the 2022 Market Value.**
5. Approved exemption amounts will be subtracted from the \$440,000 Appraised Value to calculate the Taxable Value.

Please inquire at the ARB counter if you have further questions.