

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 Yr's Appr value +10%)	State Mandated HS Amount	Local Option HS %	Calculated Local Option HS Amount (Market Value times local option %)	Taxable Value (Assessed Value - HS Exemption Amount)	Tax Rate	Calculated Tax Amount
Bexar County Road and Flood	\$300,000	\$220,000	\$3,000	20%	\$60,000	\$157,000	0.023668	\$37.16
San Antonio River Authority	\$300,000	\$220,000		4%	\$12,000	\$208,000	0.018000	\$37.44
Alamo Community College	\$300,000	\$220,000		1%	\$3,000	\$217,000	0.149150	\$323.66
University Health	\$300,000	\$220,000		20%	\$60,000	\$160,000	0.276235	\$441.98
Bexar County	\$300,000	\$220,000		20%	\$60,000	\$160,000	0.276331	\$442.13
City of San Antonio	\$300,000	\$220,000		20%	\$60,000	\$160,000	0.541590	\$866.54
Northside ISD	\$300,000	\$220,000	\$100,000			\$120,000	1.011700	\$1,214.04
Total								\$3,362.94

After a Reduction in Market Value								
Taxing Units	Market Value	Assessed Value (Last Yr's Appr value +10%)	State Mandated HS Amount	Local Option HS %	Calculated Local Option HS Amount (Market Value times local option %)	Taxable Value (Assessed Value - HS Exemption Amount)	Tax Rate	Calculated Tax Amount
Bexar County Road and Flood	\$275,000	\$220,000	\$3,000	20%	\$55,000	\$162,000	0.023668	\$38.34
San Antonio River Authority	\$275,000	\$220,000		4%	\$11,000	\$209,000	0.018000	\$37.62
Alamo Community College	\$275,000	\$220,000		1%	\$2,750	\$217,250	0.149150	\$324.03
University Health	\$275,000	\$220,000		20%	\$55,000	\$165,000	0.276235	\$455.79
Bexar County	\$275,000	\$220,000		20%	\$55,000	\$165,000	0.276331	\$455.95
City of San Antonio	\$275,000	\$220,000		20%	\$55,000	\$165,000	0.541590	\$893.62
Northside ISD	\$275,000	\$220,000	\$100,000			\$120,000	1.011700	\$1,214.04
Total								\$3,419.39
Difference								\$56.44

This situation still results in a significantly lower tax bill in comparison to not having a homestead exemption or the entity not having adopted one 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 deciding whether or not to appeal your value.**