

Legislation Details (With Text)

File #: 2618 **Version:** 1 **Name:**
Type: Resolution **Status:** Passed
File created: 4/26/2016 **In control:** City Council
On agenda: 5/3/2016 **Final action:** 5/3/2016

Title: Approve A Resolution Relating To The Valuation Process Of The Homestead Exemption For Capped Properties.

Sponsors:

Indexes:

Code sections:

Attachments: 1. RESOLUTION (tax recalc)

Date	Ver.	Action By	Action	Result
5/3/2016	1	City Council	approved	Pass

CC MEETING: May 3, 2016

DATE: April 26, 2016

TO: Leonard Martin, City Manager

FROM: Meredith A. Ladd, City Attorney
Robert Scott, Assistant City Manager/CFO

Approve A **Resolution Relating To The Valuation Process Of The Homestead Exemption For Capped Properties.**

BACKGROUND:

The market value of a property is defined as “the price at which a property would transfer for cash or its equivalent under prevailing market conditions.” Tex. Tax Code Ann. § 1.04(7) (West). The appraised value of a property is its value as determined by Chapter 23 of the Tax Code. Tex. Tax Code Ann. § 1.04(8). As a default, market value and appraised value are the same unless otherwise provided in Chapter 23. Tex. Tax Code Ann. § 23.01(a). Specifically, a cap is placed on the appraised value of a residence homestead, limiting the appraised value to the lesser of either the actual market value or an amount equal to 110% of the previous year’s appraised value plus the market value of new improvements to the property. Tex. Tax Code Ann. § 23.23(a). Within this context, the appraised value is always equal to or less than the market value of a residence homestead.

According to the Tax Code, “an individual is entitled to an exemption from taxation of a percentage of the appraised value of his residence homestead.” Tex. Tax Code Ann. § 11.13(n). The plain reading of the statute makes it clear that when the appraised value of a residence homestead is capped, the exemption should be calculated as a percentage of that capped value and not the market value.

The Tax Code clearly supports a calculation based upon the appraised value of a property. The residence

homestead exemption should therefore be applied to the capped appraised value and not the market value of a property.

FINANCIAL IMPLICATIONS:

Based on the 2016 preliminary tax roll valuations received by the City, the method used by Denton County will result in a loss of over \$200,000 of taxes paid to the City. The loss in taxes in 2015 was about \$65,500 and in 2014 was approximately \$39,000.

STAFF RECOMMENDATION/ACTION DESIRED:

Requested approval of the Resolution

ATTACHMENTS:

Resolution