

TRANSFERRING THE OVER-65/DISABLED EXEMPTION

Dr. Blake Bennett¹ and Tiffany Dowell Lashmet, J.D.²

Texas residents who have a homestead and are either age 65 or older or who are disabled qualify for a \$10,000 homestead exemption for school district taxes. This is in addition to the \$25,000 homestead exemption for all homeowners. Persons that qualify and apply for an age 65 or older or disabled person homestead exemption for school district taxes also benefit from these school taxes not being able to increase as long as they own and live in that home. In effect, the school district taxes are frozen at the level they were when the person qualified for this exemption. When a person that has qualified for this exemption moves to a new principal residence, they can also transfer the percentage savings they have on these school taxes to the new residence. The article below explains how this transfer works and provides assistance in how to transfer the percentages.

HOW THE TRANSFER OF PERCENTAGES WORKS

For simplicity, let's assume a homeowner claimed the exemption for age 65 or older 10 years ago on "Old Homestead." This homeowner has downsized and purchased "New Homestead." As detailed on the left side of Table 1, school taxes on the "Old Homestead" were frozen at \$400 for the last 10 years. However, market values continued to increase since the school taxes were frozen. If the homeowner was paying school taxes on the "Old Homestead" based on the current market value (without the age 65 or older exemption), the school tax liability would be \$1,000. This suggests the homeowner is only paying 40 percent of the taxes they would have to pay if the exemption were not in place.

TABLE 1. THE IMPACTS OF THE TRANSFER OF PERCENTAGES FROM ONE HOMESTEAD TO ANOTHER.

| Old Homestead | | New Homestead | |
|---------------------------------------|---------|---------------------------------------|-------|
| Current Market Value School Tax Level | \$1,000 | Current Market Value School Tax Level | \$800 |
| Frozen School Tax Level | \$400 | Transfer Percentage | 40% |
| Percent Savings | 40% | Actual School Taxes | \$320 |

When the individual downsized, school property taxes on the "New Homestead" are \$800 at current market value. However, the homeowner can transfer the 40 percent savings from the "Old Homestead" to the "New Homestead." When this transfer is complete, the actual property taxes paid on the "New Homestead" would total \$320 (40 percent of the current market value school tax level).

STEPS FOR TRANSFERRING THE PERCENTAGE

The steps for transferring the percentage savings from the age 65 or older or disabled exemption include the following:

1. Go to the Central Appraisal District that valued the "Old Homestead" and ask for a "Certificate of Transfer" for the age 65 or older or disabled exemption.
2. Move to the "New Homestead" and update the driver's license.
3. Present the "Certificate of Transfer" to the new Central Appraisal District.

¹ Associate Professor & Extension Economist, Texas A&M AgriLife Extension Service

² Associate Professor & Agricultural Law Specialist, Texas A&M AgriLife Extension Service

ARE ALL TEXAS RESIDENTS ELIGIBLE FOR THE TRANSFER?

Current Texas residents who have qualified for the age 65 or older or disabled exemption are eligible for the transfer as long as they are moving from one Texas residence to another. Those individuals must also apply for the transfer as it is not automatically granted.

APPLICATIONS FOR REAL ESTATE AGENTS

Real estate agents can help estimate the percentage that will be transferred for those clients who have qualified for the age 65 or older or disabled exemption. This can be especially helpful when evaluating options for purchasing a new homestead. The steps below explain how to determine the estimated percentage and how it might be used to evaluate other homesteads.

1. Go to the website for the current homestead's tax district and look up the current homestead. A current property tax statement can also be used if available.
2. Locate the most current school district taxes that have been paid.
 - a. For example, the most current school district taxes paid for a homestead are \$3,435.09.

3. Go to the website for the Central Appraisal District that values the current homestead. Find the most current market value and current school district tax rate.
 - a. For example, the most current market value is \$398,061, and the school district tax rate is \$1.4862.
 - b. Divide the current market value by 100. For example: $\$398,061 \div 100 = \$3,980.61$.
 - c. Multiply the value in 3(b) by the current tax rate. For example: $\$3,980.61 \times \$1.4862 = \$5,915.98$. This product represents the school taxes that would be paid if evaluated at market value.
4. Divide the value in Step 2(a) by 3(c). For example: $\$3,435.09 \div \$5,915.98 = 0.5806$.
5. Multiply the value in Step 4 by 100 to get the percentage. For example: $0.5806 \times 100 = 58.06$ percent.

This means that the homeowner is currently only paying 58.06 percent of the market value school property taxes. Then the individual can estimate the school property taxes for a new home by multiplying the school property taxes on the new home at market value by 58.06 percent.