

TEXAS HOMESTEAD EXEMPTION



Homestead Exemption Definition

Simply stated, the homestead is a place where a family or single adult makes their home, including the land and all of its buildings or improvements. The residential homestead, by far the most prevalent, is defined as either urban or rural.

The exemption is a legal regime designed to protect the value of the homes of residents from property taxes, creditors, and circumstances arising from the death of the homeowner spouse. Laws enacting such protections are found in state statutes or constitutional provisions which exist in many states in the United States.

Homestead exemption laws typically have three primary features:

- They prevent the forced sale of a home to meet the demands of creditors;
- They provide the surviving spouse with shelter;
- They provide an exemption from property taxes which can be applied to a home.

For purposes of these statutes, a homestead is the primary residence of a person, and no other homestead exemption can be claimed on any other property anywhere, even outside the boundaries of the jurisdiction where the exemption is claimed.

The positive effect of this exemption means that, in most cases, if someone sues you and recovers a judgment against you, they cannot force you to sell your homestead to satisfy the judgment.

Exemption Provided

Under the Texas homestead exemption, the residence is protected from the forced sale by all creditors of the Homeowner, except from the following reasons:

- 1.** The Lender who loans the funds for the purchase of the homestead, or provides refinance money;
- 2.** The tax man, in the form of County, City and School ad valorem taxes that are assessed against the property each year. (However, the federal supremacy clause in the U.S. Constitution now allows the federal government to force the sale of the homestead for federal liens such as non-payment of federal income taxes);
- 3.** The Contractor who provides material and/or labor in erecting and improving the homestead, and consequently, its value. (The owner of the property and their spouse, if married, must execute a Mechanics' Lien Contract and file for record in the real property records of the county where the property is located. If not done in this manner, the entire concept for the protection of the homestead is destroyed.) It is imperative that prior to the actual execution of the Mechanics' Lien Contract, no material of any kind be placed upon the property and no work be commenced. This includes cement, sand, shingles, siding, nails and/or any material whatsoever to be used in the improvements to be made.
- 4.** The Lender who loans the funds for a constitutionally permitted home equity loan;
- 5.** Ovelty liens (This type of lien is used in divorce and heirship situations).

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Circumvention of the Homestead Exemption

Because the homestead exemption is a state constitutional exemption, it cannot be waived. The homestead may be abandoned, but only if another homestead is created, as when one house is sold and another is purchased and the owner moves into the new house.

When to File

When you purchase a home in Texas and it will be your primary place of residence, you may file for a Homestead Exemption. Applications for exemptions must be made between January 1 and April 30.

Savings Example

A homestead exemption lowers the property taxes on your home by lowering its taxable value. If your home is valued at \$100,000 and you receive a \$15,000 homestead exemption, your home will be taxed as if it were worth \$85,000.

Other Exemptions

If you are disabled, or if you are at least 65 years of age, you may be entitled to an additional school tax exemption on your home. Homeowners should contact their local county and city entities for other possible exemptions.



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