

New Law May Require Texas Homeowners to Renew Homestead Exemptions

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Texas property taxes and the general residential homestead exemptions have been all over the news this past year due to the passing of Proposition 4 in November 2023. This law increased the annual Texas homestead tax exemption from \$40,000 to \$100,000, starting with January 2023 taxes.

While tax savings relief stole the headlines, another law was enacted that may require homeowners to renew their application for their homestead exemptions every five years. Failure to respond to the Appraisal District's notice to renew could result in the loss of the exemption and an escrow account nightmare.

Background on Homestead Exemption in Texas

Typically, to take advantage of a homestead exemption, taxpayers file a Residence Homestead Exemption Application Form 50-114 with the local appraisal district shortly after purchasing a property.

The completed application and required documentation are due before May 1 of the tax year for which a taxpayer is applying. Tex. Tax Code §11.43(d). However, a late residence homestead exemption application may be filed up to two years after the delinquency date, which for the 2024 tax year will be **February 1, 2026**. Tex. Tax Code §11.431(a).

Under the old law, taxpayers did not need to reapply for the homestead exemption in subsequent tax years, the exemption remained on the property until it was sold, the taxpayer moved and claimed it for a second property, or the taxpayer passed away. That has now changed.

New Law Requires Five-Year Renewal Plan

The Texas Legislature passed [Senate Bill \(SB\) 1801](#), effective **September 1, 2023**, during the 88th regular session, which now requires the chief appraiser of an appraisal district to **verify the eligibility of homeowners for the homestead exemption *at least once every five years***.

As a result, each of the 254 Texas Appraisal Districts must create its own procedure for complying with this periodic review program, and the first five-year review cycle has already begun. While each appraisal district started the first phase of the review process in January, it is possible many homeowners are unaware of this change or their need to reassert their qualification for a homestead exemption.

To comply, most Appraisal Districts mail taxpayers a notice instructing them to reapply for their exemption within the time stated in the letter. This can lead to confusion since taxpayers have never received a request like this before, and not all of the deadlines set by the different Appraisal Districts are consistent. Even more troubling, if the taxpayer does not respond, the Appraisal District moves forward with removing the homestead exemption.

For example, here are a few of the ways the Appraisal Districts are handling this process:

- The Kendall Appraisal District sent out notices and applications for residents to reapply if their last name started with the alphabet letters A-E and required a response by April 30th, 2024.
- The Tarrant County Central Appraisal District (TAD) explains on its [website](#) that it mailed homestead exemption applications and requested documentation in January 2024 and advises, “If you’re a homeowner who has received an application, it’s crucial to act promptly. TAD has a deadline for reapplication as **December 31, 2024**. Failure to reapply by this date may result in the cancellation of your current homestead exemptions.”
- The Travis County Central Appraisal District (TCAD) advised, in a January 3, 2024, [press release](#), that “Starting in 2024, TCAD is required to verify a property owner’s eligibility to continue to receive their homestead exemption every five years. Property owners scheduled for re-verification will receive a notice from the District with instructions on how to complete the process.”
- However, Brazos County states on its [website](#) that it outsourced the audit process to a local law firm and advises taxpayers, “If you receive correspondence from that firm, please follow the directions as stated on the correspondence and respond to the information provided.”

Impact on Escrow Accounts

Due to the varying compliance dates and the fact that most taxpayers have never had to renew their homestead exemption, it is possible many taxpayers have overlooked this notice and will be surprised when they receive their final tax bills on **October 1, 2024**.

For taxpayers who escrow their taxes with their mortgage company, the renewal could likely be overlooked since they tend to interact even less with the Appraisal District than those who pay their taxes directly.

Taxpayers with escrow accounts should be aware that since escrow account analysis and projections are based on the prior year's exemptions and estimated tax liability, the removal of the homestead exemption on the account can cause it to appear underfunded since the end-of-year tax liability will appear to be higher.

However, in some instances, like in Tarrant County, since the response deadline is not until the end of December if a taxpayer fails to respond and the tax payment is made at the beginning of December, the removal of the exemption could make it look like there is a short payment. As a result, taxpayers could receive mortgage payment adjustments to cover the escrow shortage. All of these issues could be avoided by ensuring the homestead exemption is still active on the account.

As mentioned above, taxpayers can apply for a homestead exemption up to two years after the delinquent amounts are due, but that will not prevent the headache and escrow issues that will arise while the situation is being sorted out.

Mortgage Servicers Should Reach Out to Borrowers

Mortgage servicers who escrow for Texas homeowners should consider reaching out to Texas borrowers to inform them of this change and their need to respond to any requests from the Appraisal District to reverify their homestead exemption. **We recommend that homeowners verify their current exemption status with their Appraisal District online or by phone to ensure they did not miss a request to reverify.**

Caution About Companies Offering Homestead Designation Services

In addition to receiving a notice from the Appraisal District, Texas homeowners may have noticed a proliferation of junk mail or advertisements related to homestead services. With this renewed focus on the value of homestead exemptions, certain entities are targeting taxpayers by sending them offers to fill out their homestead exemptions for a fee or to file a Designation of Homestead Request Form on their behalf.

There is NEVER A FEE for applying for a homestead exemption.

The Fort Bend County Central Appraisal district [warns consumers](#) about the potential confusion caused by these companies and advises that some of these correspondences look like an official State of Texas document but are advertisements for a service.

The designation of homestead under the Texas Property Tax Code is distinct from the homestead tax exemption under the Texas Tax Code. If a homeowner files for and receives a Tax Exemption, they will receive a Designation of Homestead eventually for free.

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