Deferrals of Taxes on Increases on the Value of Residence Homesteads

If you are having trouble paying property taxes on your home this year, there is a law that may provide limited help. The law applies only in a few cases, and the provisions are not well known. If the law applies to you, by filing a special form with the county appraisal district you can postpone paying taxes on a portion of the increase in your home's value. Taxes will continue to accrue and you will owe interest at the rate of 8% per year on the postponed tax amounts. However, taxing jurisdictions cannot sue you to collect the postponed taxes. The taxes will become due and must be paid within 30 days of the date you sell the property or no longer occupy it. You must also pay the remaining amount of your taxes on time every year to keep the tax benefit.

Finding out whether the law will benefit you requires a little math. You need to compare your home's 2012 appraised value to its 2013 appraised value, according to the appraisal district. If the value increased by more than 5% from 2012 to 2013 (excluding any improvements you added to the home between 2012 and 2013), you can take advantage of the law. The amount of tax you can defer depends on how great the increase was. Under the law, you can defer paying taxes on any amount of increase over 5%. For example, suppose your 2012 appraised value was $100,000 and the 2013 value was $107,000. This represents a 7% increase. A 5% increase would have resulted in a value of $105,000. The law allows you to pay taxes as if the home's value was $105,000 and to defer paying taxes on the remaining $2,000 of value. One the other hand, if your home's value increased by 5% or less, the law doesn't apply to you.

If the law applies, you must do three things to take advantage of it:

1) obtain the tax deferral affidavit from the appraisal district;
2) complete the form, have it notarized, and return it to the district; and
3) pay the 2013 taxes on all but the value over the 5% increase, before the delinquency date, which is February 1, 2014.

Taxpayers need to be careful about using the deferral. Don't' rely on your own calculations and contact the tax offices that sent you the tax bills to determine how much tax you can legally defer. Be especially careful if your home has a mortgage. The Mortgage Company may be able to foreclose if you don't pay all your taxes on time. Finally, remember that the deferred taxes don't go away. They continue to accrue and to draw interest, and they may provide an unexpected problem if you try to sell the home. We recommended discussing payment problems with the taxing units before filing the new affidavit.