The Texas Homestead Exemption and Other Ways Homeowners Can Save

O'Connor discusses the Texas homestead exemption and other ways homeowners can save.

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For property owners who own a home in Texas, they are likely aware of the homestead exemption. This is the most basic way that a homeowner can save on their property taxes, and it generally opens the door for other exemptions down the line. Whenever they buy, move, or inherit a property, the first priority should be establishing this exemption, as this simple step can save hundreds or even thousands of dollars.

There are a variety of exemptions that can help homeowners. There are a myriad of exemptions and a slew of benefits that fall beyond the basic options. O'Connor will cover many of the exemptions that benefit homeowners and how they benefit taxpayers.

The Homestead Exemption

The bedrock of Texas property tax savings, this saw a large overhaul in 2025. Primarily aimed at school district taxes, the largest tax burden in Texas, the homestead exemption has many benefits. First, it reduces the appraised value used for school taxes by $140,000. Second, it establishes a 10% cap on appraised value, which means it can never go higher than 10% every year. Since appraised value is tied directly to market value, that means that homeowners will be shielded if real estate prices spike. Many counties and other taxing bodies also offer further reductions if a homeowner has a homestead exemption. This can be a discount of up to 20% of appraised value, or a minimum of $3,000. Every county and taxing body is different, so this could vary wildly across the state. This exemption can only be applied to your primary residence.

Over-65 Homestead Exemption

This does not replace the homestead exemption; rather, it improves it. When a homeowner turns 65, they can enhance their original exemption. This adds an appraised value reduction of $60,000 to school taxes. This means that the qualifying homeowner will see a total exemption of $200,000. This is often high enough to eliminate the school tax bill entirely. Like the general homestead exemption, counties and taxing bodies might offer discounts at the local level.

Disabled Persons Exemption

Like the over-65 option, this reduces school taxes by $60,000. This exemption is for people who have a disability as defined by the Federal Old-Age, Survivors, and Disability Insurance Act. The homeowner must present documentation, such as federal disability benefits or a doctor's statement. In addition, blind people over the age of 55 can receive this exemption as well. While this can be used with the standard homestead exemption, it cannot be used with the over-65 one. A homeowner that qualifies for both will have to pick one, though both offer the same benefit.

Disabled Veterans Exemption

Often confused with the disabled persons exemption, this uses different criteria and offers a different benefit. This exemption is based on the disability rating assessed by the U.S. Department of Veterans Affairs for service-related disabilities. The exemption is on a sliding scale, with higher disability ratings leading to a larger exemption. Veterans with a disability rating of 100%, or those over 65 with a disability rating of 10% or more, may qualify for a complete and total elimination of taxes. For those with disabilities below 100%, this exemption can be used with other exemptions to maximize savings. This includes the standard homestead, over-65, and disabled persons exemptions. Like other homeowners, a veteran cannot use the disabled persons and over-65 exemptions at the same time. The disabled veteran's portion of the exemption does not need to be applied to a homestead, and can instead be applied to a different property the veteran owns.

Surviving Spouse of a Disabled Veteran Exemption

After a disabled veteran passes away, it is possible for their spouse to inherit their exemption. As long as the spouse does not remarry and maintains the home as a primary homestead, they can continue to use the veteran's complete reduction percentage. This only applies to exemptions that were used for the home. This includes instances of 100% disability, which means the spouse would see a total elimination of taxes.

Surviving Spouse of a Veteran Killed in the Line of Duty

This is separate from the disabled veterans exemption and is for spouses of veterans who were killed in the line of duty or fatally injured. In such cases, the spouse can get a 100% reduction on the taxes of their homestead. This will remain as long as the spouse stays unmarried. If they move to a new home and make it their principal residence, then the exemption moves with them. The exemption amount remains at the dollar amount needed for a 100% exemption at the initial homestead. If the total taxes are higher at the new home, then the spouse will pay anything over the previous amount.

Surviving Spouse of a First Responder Killed in the Line of Duty

This exemption works similarly to the one for the spouses of veterans killed in action does. It provides a 100% homestead reduction for the spouses of firefighters, police, corrections officers, paramedics, and more who die or are fatally injured in the line of duty. To qualify, the first responder must have been covered by the Employees Retirement System of Texas (ERS). The exemption will follow the spouse to a new homestead, but is locked in at the dollar amount of the first home, meaning it might not be a 100% exemption if the spouse moves to a home with higher value. The exemption lasts as long as the spouse remains unmarried.

Exemptions While Replacing a Destroyed Home

Texans also have options to preserve their homestead exemption if their home is burned, destroyed by wind, or ruined by flooding. Taxpayers may keep their existing exemptions as long as they start construction of a new home on the property within two years. If the home was destroyed by an event that occurred during a declared disaster, this window is opened to five years. In cases of fire, the entire value of the home is removed from the appraised value of a property, rather than keeping the exemption. All of these options help shield a homeowner or family going through one of the hardest times imaginable.

Temporary Disaster Exemption

For homes and businesses damaged by major disasters, there is another exemption to use. This is dedicated to damage done during declared disasters, typically hurricanes, floods, or freezes. These must be declared by the governor of Texas, not FEMA or other agencies. This exemption shaves off a portion of the appraised value depending on how extreme the damage was. It is broken down into four categories, with the largest being a total exemption. This can be confused with the previous options mentioned for destroyed property, but is a separate option entirely.

Appeals Can Enhance Exemptions

While exemptions are varied and numerous, they are only part of lowering the property tax bill. Property tax appeals can be used to produce further savings. These are protests directly with your appraisal district, which challenge or correct the appraised values for homes, businesses, and more. By lowering these values, property owners can reduce their appraised value before exemptions are applied. This brings in even more savings. In addition, appeals can be used in cases where exemptions do not apply, such as rental homes or certain businesses. By using these two techniques together, owners can earn a large break on their taxes.

About O'Connor:
O’Connor is one of the largest property tax consulting firms, representing 185,000 clients in 49 states and Canada, handling about 295,000 protests in 2024, with residential property tax reduction services in Texas, Illinois, Georgia, and New York. O’Connor’s possesses the resources and market expertise in the areas of property tax, cost segregation, commercial and residential real estate appraisals. The firm was founded in 1974 and employs a team of 1,000 worldwide. O’Connor’s core focus is enriching the lives of property owners through cost effective tax reduction.

Property owners interested in assistance appealing their assessment can enroll in O’Connor’s Property Tax Protection Program ™. There is no upfront fee, or any fee unless we reduce your property taxes, and easy online enrollment only takes 2 to 3 minutes.

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