

The Property Tax Implications of Inheriting a Home in Texas

O'Connor discusses the property tax implications of inheriting a home in Texas.

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As the American population grows older and more seniors move to Texas for lower taxes, more and more Texans are facing the prospect of inheriting homes after their relatives pass away. With homeownership getting older every year, many younger Texans are unfamiliar with the process that few want to face. While inheriting a home can be a bittersweet gift from a departed loved one, there are several logistical considerations.

While there are many issues to focus on, O'Connor will primarily look at property taxes. Despite its reputation for being a low-tax state, Texas does have some of the highest property taxes in the nation and can catch the unwary off guard. O'Connor will go over the basics of what to expect when taking over a home after a loved one passes away.

Does Texas Have Estate or Inheritance Taxes?

Texas, like many states, does not impose an estate or inheritance tax. This is one of the main reasons that many older people settle in Texas, as it gives them a chance to pass along their most prized investment without interference. While the federal estate tax might be a concern, it generally applies only to estates over \$15 million, which makes having to deal with it unlikely. The lack of an estate tax in Texas makes the transfer of homes or other property much simpler.

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Texas Probate

While deeds can have a provision to transfer automatically to an heir or trust upon death, most homes and other pieces of real estate will go through probate. During this time, the home will be part of the deceased's estate, as creditors and other claimants may file claims against the estate for debts or taxes owed. When a probate notice is filed with the courts, the local appraisal district will list the home in the name of the estate. This can have property tax implications, as many exemptions will expire on the home while it is in this state.

Property Taxes During Probate

The responsibility for paying property taxes initially falls to the estate during probate, with the executor using estate funds to pay any outstanding property tax bills. Even when the home is between an heir and the deceased, taxes still accrue. Because exemptions such as the homestead and over-65 exemptions may no longer apply, the taxable value of the home can increase significantly. This is especially true of homestead properties, as the previous 10% appraisal cap will be removed, meaning reassessment will apply the full market value to a home, not just the appraised value. This can lead to a significant increase in the tax bill.

Property Taxes After Probate

Once probate has been concluded and the heir takes possession of the home, all responsibilities fall to the heir. This means property taxes, HOA fees, and general upkeep become the responsibility of the heir. If the heir takes over a mortgage, property taxes may be paid through monthly mortgage payments, with the annual tax bill divided into monthly installments. If the property is paid off, then the heir will have to be prepared to handle paying the entire amount every year. The first priority in either situation should be filing and establishing a homestead exemption.

Texas Homestead Exemption

This exemption is the baseline for all other property tax exemptions and has many benefits. However, to qualify for it, the heir must have the inherited home as their primary residence. If the property owner already owns a home and then they will receive ownership of another one, they cannot have a second homestead exemption. They must choose which residence will be their primary one, which means they can forfeit the one on their existing home. If this is their first time as a homeowner, then things are a little simpler. They will need to file a homestead application with their local appraisal district, with supporting documents, which may include a Texas driver's license, a deed, and other information confirming ownership.

The homestead exemption provides many benefits. First, it shields \$140,000 of a home's value from school taxes, which are the largest tax bill in Texas. Next, the homestead exemption provides a 10% appraisal cap. This means that the appraised value of a home can never increase

more than 10% per year. This is a great shield against property value spikes. The homestead exemption has seen many improvements over the past few years and could get even more in the coming years. Many local taxing bodies will also grant minor exemptions for homestead properties, which can mean even more savings.

Other Exemptions

While the homestead is a great start, there are some other exemptions that can be used if property owners qualify. First is the over-65 exemption, which provides an additional \$60,000 exemption from school taxes. This can be used along with the homestead to provide a combined exemption of \$200,000. The disabled person's exemption functions exactly the same, but cannot be used with the over-65 exemption. These exemptions and others should be claimed within 30 days of taking over a home to ensure you are getting the most out of your tax savings.

Verify Appraisal Information

Appraisal districts operate with skeleton crews and can often make mistakes. This includes incorrect measurements, incorrect listings of improvements, inaccurate acreage, and other errors. These mistakes can go on for years or even decades if not corrected. One of the first things a new homeowner should do is review the appraisal information to make sure there are no blatant errors. Every April, the appraisal district will also send a notice of appraisal, which property owners should review. This will contain all of the basic information and should also be verified. The most important details to look for are the owner's name and exemptions. They should make sure that their name is on the appraisal, rather than the deceased person's name or the estate's name. This could lead to much higher taxes. Not verifying the appraisal is perhaps the biggest mistake a new homeowner makes, other than not filing a homestead exemption.

Filing Property Tax Appeals

If property owners find that their new property has any of the factual errors mentioned above, then they should file a property tax protest to correct them. In addition, if the new property appears to be appraised at a value that is much higher than it should be or is appraised unequally compared with neighboring properties with similar characteristics, they should consider filing an appeal. An appeal can help correct any issues with the appraisal and might help reduce values that were raised after the loss of a homestead exemption cap or other issues. Because of high property taxes in Texas, many homeowners appeal every year to ensure that they are only paying what they owe.

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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