



Protecting the Homestead: Unclaimed Exemptions and the Impact on Inequality in Cameron County

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ABSTRACT: Property taxes are the most important source of revenue for a bevy of public goods provided at the local level including, most notably, education. Currently, Cameron County’s lowest-income homeowners are footing a larger percentage of the bill because most of them are not claiming Homestead Exemptions for which they are eligible. This results in a wealth transfer effect in which community infrastructure for the whole is subsidized by the few. To increase the claim of Homestead Exemptions by low-income homeowners, thereby bringing equity to the current local tax regime and bring financial relief in an environment of rapidly rising property values, there must be an awareness campaign and access to administrative assistance to overcome accessibility barriers. cdcb proposes to work with local governments on increasing awareness and holding weekend assistance sessions to bring savings to Cameron County’s low-income homeowners.

The 88th Texas legislature ended session without a solution to the recent rise in property tax bills across the state stemming from rising property values.¹ Instead, it took a heated special session to achieve a compromise, central to which, was a rise in the Homestead Exemption from \$40,000 to \$100,000.²

The Homestead Exemption in Texas allows a homeowner to exempt a portion of their appraised home value, given it is their primary residence, from taxation. This means that they are effectively taxed a lesser amount for their property. Homestead protections stretch back to the beginnings of the Texas Republic. Because it was founded by numerous debtors fleeing creditors in the United States, Texas adopted a legal apparatus around homesteads that paralleled those seen in Mexico that disallowed personal homes to be taken over as a form of debt repayment.³ While this near-total protection of the family home from over-zealous creditors was watered down over the ensuing centuries, that spirit of protection still exists in the tax code in the form of the homestead exemption. Its design ensures that first time homeowners, especially those on

¹ Karen Brooks Harper & Uriel Garcia. “Dan Patrick says Senate won’t budge on property tax relief – but there’s no house to negotiate with.” Texas Tribune. June 6, 2023. <https://www.texastribune.org/2023/06/06/texas-senate-special-session/>

² Harper, “Long-awaited \$18 billion property tax-cut deal heads to Gov. Greg Abbott.” Texas Tribune. July 13, 2023. <https://www.texastribune.org/2023/07/13/texas-legislature-property-tax-cuts/>

³ Goodman, Paul. “The Emergence of Homestead Exemption in the United States: Accommodation and Resistance to the Market Revolution, 1840-1880,” *Journal of American History* Volume 80, no. 2 (Sep, 1993), pp. 470-498. <https://doi.org/10.2307/2079867>



a razor's edge financially, are not priced out of their homes by rising property valuations. Depending on the locality, the new exemption rate could lead to \$1,500 a year in savings per household for low-income families in Cameron County. But, just as many homeowners missed out on these saving under the last rate, many will continue to miss out even more under the new rate unless something is done to reverse this trend.

Systemic barriers have kept the Homestead Exemption out of reach for Cameron County's communities that need it the most. According to cdcb's analysis of property owner data in Cameron County, as many as 41% of homeowners are not claiming their exemption, meaning they are paying higher taxes than they need to over and above the recent increases.⁴ Additionally, cdcb finds that there is a significant income discrepancy between those that do claim the exemption and those that do not. Lower income households, who are often left unaware of the exemption, or are functionally locked out of its utilization through accessibility barriers, bear a higher percentage per capita of the community's tax burden. In effect, this is a wealth transfer away from the poorest communities to subsidize public services utilized across the county.

In Brownsville, cdcb estimates that nearly 13,743 eligible families are not claiming their homestead exemption. The geographic concentration of these families tracks closely with Brownsville's development patterns wherein wealth congregated in specific pockets and slowly moved northward. Southmost, one of Brownsville's poorest communities but also one with a high degree of home ownership, shows the highest concentration of unclaimed exemptions. From there, the density of unclaimed exemptions decreases as one moves North on the express way, but still holds firm in some of the poorer areas with high rates of single-family homeownership, especially east of the expressway along major thoroughfares like Boca Chica and Ruben Torres Blvds.

The Southmost community has an Area Median Income (AMI) of \$15,000 while the overall Brownsville-Harlingen MSA has an AMI of \$62,000, making it one of the most impoverished communities in Brownsville.⁵ As one of the oldest and most historic areas of Brownsville, Southmost has an abundance of multi-generational households that face overcrowding. The younger generations have been priced out of homeownership and face rental rates that are becoming increasingly unaffordable.⁶ Conversely, The Woods subdivision, which is in North Brownsville, has an AMI of \$105,910 and there is a low number of unclaimed exemptions in the area. The differences between these communities are stark, from the age, structural integrity, and size of the homes to the household incomes.

Many families are simply unaware of the homestead exemption. Among professional and managerial class occupations, bureaucratic mechanisms such as the homestead exemption, are relatively commonplace conversation topics in a way they aren't for those working in different

⁴ Data analyzed was compiled from the Cameron County Appraisal District database.

⁵ U.S. Census Bureau, 2020 American Community Survey and PolicyMap, <http://www.census.gov/acs/www/>

⁶ "Out of Reach: The High Cost of Housing." National Low Income Housing Coalition (June 2023), pp. 241.



fields. It is critical that more outreach efforts are aimed at low-income families to ensure that equal access to resources is established.

cdcb proposes to work with Cameron County and the City of Brownsville to boost outreach efforts around the tax exemption as well as host informational sessions open to the entire community designed to help overcome administrative barriers to filing for an exemption. In this way, cdcb seeks to uphold the original ideal behind the homestead: protection of last resort and source of wealth-building for families regardless of income level.

“The time must come, sooner or later, when the home shall be secure – when the cabin of the poor man shall be really his castle.”

- Schuyler Colfax, 1850

