

## Homestead Market Value Exclusion 101

May 2020

The Homestead Market Value Exclusion (HMVE) program (hereafter referred to as “the exclusion”) replaced the Market Value Homestead Credit (MVHC) program for taxes payable in 2012 and beyond. This guide describes how the exclusion works. A detailed description of the overall property tax system can be found in the “Property Taxation 101” guide.

### How it works for homeowners:

Much like in the now-eliminated MVHC program, homeowners do not have to take any action in order to benefit from the market value exclusion. It is applied automatically. The maximum exclusion goes to homes valued at \$76,000 or less. The exclusion at that level is 40% of market value. For a \$76,000 home, that means \$30,400 of value is not taxable. In other words, all property taxes are applied only to the remaining \$45,600 of market value. As home value increases, the portion of market value eligible for exclusion phases out and is at zero percent for homes valued at more than \$413,778. Note that market values are determined in the year prior to the year in which taxes are paid. For example, values used to calculate taxes payable in 2019 were set in early 2018.

Below is a sample calculation of total taxes due (city, county, and school district taxes) before and after the exclusion from the Department of Revenue:

Sample Home Market Value	\$76,000	\$150,000	\$300,000	\$450,000
<b>Previous Law: MVHC</b>				
Net Tax Capacity (market value x 1% class rate)	\$760	\$1,500	\$3,000	\$4,500
Gross Tax at rate of 105.81% (rate x tax capacity)	\$804.16	\$1,587.15	\$3,174.30	\$4,761.45
Current MVHC	\$304.00	\$237.40	\$102.40	\$0
<i>Net Tax (total tax less credit)</i>	<i>\$500.16</i>	<i>\$1,349.75</i>	<i>\$3,071.90</i>	<i>\$4,761.45</i>
<b>Current Law: Exclusion</b>				
Market Value Exclusion	\$30,400	\$23,740	\$10,240	\$0
MV after exclusion	\$45,600	\$126,260	\$289,760	\$450,000
Home Net Tax Capacity (market value x 1% class rate)	\$456	\$1,263	\$2,898	\$4,500
MVHC Credit	\$0	\$0	\$0	\$0
<i>Net Tax at rate of 110.92% (rate x tax capacity)</i>	<i>\$505.80</i>	<i>\$1,400.48</i>	<i>\$3,214.02</i>	<i>\$4,991.40</i>

\*the total tax rates used in this example are statewide averages before and after the effects of the exclusion

### Resources

<https://www.lmc.org/resources/paying-for-city-services/>

