

Understanding Homesteaded Property Taxes in Alabama

A simple guide for homeowners

1. How Property Taxes Work in Alabama

Alabama does taxes a little differently than many states, so here's the big picture:

- Property taxes are paid one year behind.
That means the bill you pay in 2025 is actually for the 2024 tax year.
- Tax bills are issued on or before October 1st and are due by December 31st.
January 1st–March 1st is considered “late,” and penalties begin to appear after that.
- Your taxes are based on two things:
 1. The appraised value of your home
 2. Your assessment rate (which changes if you claim a homestead)

The math behind your tax bill

Here's the simple formula Alabama counties use:

Appraised Value × Assessment Ratio × Millage Rate = Property Tax

- Assessment ratio for primary residences (Class III): 10%
Without homestead, you're paying taxes on 10% of your home's market value.
- Assessment ratio for investment property (Class II): 20%
If this is your rental property, taxes are doubled.

Example:

Home value: \$300,000

Homesteaded assessment: $\$300,000 \times 10\% = \$30,000$

Then: $\$30,000 \times (\text{local millage rate}) = \text{your tax bill}$

Every county has its own millage rate, so the bill differs by area.

2. What It Means to “Homestead” Your Taxes

Homesteading is one of the easiest (and best) ways to lower your property tax bill in Alabama.

Requirements

To qualify for homestead:

- You must own the home.
- It must be your primary residence on October 1st of that tax year.
- You must live in it, not rent it out.

How it helps you

- A homestead exemption gives you:
- A lower tax rate (your home is taxed at 10% instead of 20%).

A reduction in taxable value, depending on which exemption you qualify for.

Most buyers fall under Homestead Exemption 1, which removes up to \$4,000 of assessed value from county taxes and \$2,000 from school taxes. Some people qualify for additional exemptions if they are over 65, disabled, or have low income.

When to file

You can file for a homestead:

- Anytime between October 1st and December 31st, after buying your home
- You only file once (unless your primary residence changes)

You'll file at your county tax assessor's office or online, depending on the county.

3. The "Tax Year" Buyers Always Ask About

When you're buying, timing matters. Here's how the tax year really works:

- The tax year runs from October 1st to September 30th.
- The taxes owed for that year aren't due until the following October 1st.

At closing, the buyer and seller typically prorate taxes, meaning each person pays for the portion of the year they owned the home.

This is why many buyers see a "credit" at closing—because taxes aren't paid until the end of the year.

4. Quick FAQ for Homebuyers

• Do I have to reapply every year?

No. Once you file a homestead exemption, it stays in place unless something major changes.

• Do taxes go up when I buy a house?

They can. Homes often get a new assessed value after a sale. If the previous owner had the home for a long time, the assessment may rise to match the new market value.

• Can investors claim a homestead?

No. Homestead is only for your primary residence.

• What happens if I forget to file?

You'll be charged at the higher rate until next year. The county will not backdate it.