

STATE OF TEXAS
QUALIFICATION REQUIREMENTS
FOR
1-d-1 AGRICULTURAL APPRAISAL

1. Agricultural appraisal applies to land only.
2. Land must be in use **currently**.
3. Land use must be an agricultural use.
4. The **principal** use of land must be agriculture.
5. The land must be used to the degree of intensity generally accepted in the area.
6. The land must have been devoted principally to agricultural use for **five of the preceding seven years**.
7. A property owner **must timely** file a valid application with the appraisal district.

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What is Agricultural Appraisal?

As you are probably aware, local governments such as cities, counties, and school districts raise a large portion of their operating revenues through the levying of ad valorem property taxes, or taxes based upon the value of property. Texas property tax laws give some special considerations to agricultural land if the owner files a valid application and provided that the land meets certain qualification requirements.

What kind of special consideration? For example, the total property tax bill for a 100 acre tract of non-agricultural land in the Lockhart Independent School District worth \$1,690 per acre in 2002 would be \$3,346.20. The tax on 100 acres of open native pasture land that qualifies for agricultural appraisal would be \$138.60, or less than 5% of the taxes on the non-agricultural use land.

You may know this special consideration by the name of agricultural tax exemption, but instead of a true exemption, it is actually a special method of valuation.

This publication is intended to familiarize you with this special process of taxation of agricultural land, or agricultural valuation, by first discussing the background of law that authorizes special agricultural appraisal, as well as the laws that govern the procedures and eligibility requirements. It will also go into some detail on what is required to qualify land for agricultural appraisal for property taxation. Then, it will explain the application filing process and the procedures the appraisal district uses to determine qualification for each applicant.

What is agricultural appraisal? Simply speaking, it is a special tax appraisal that generally results in a much lower taxable value, and consequently a lower tax bill, than would result using standard market value appraisal methods. To get a better understanding of why we have agricultural appraisal, we should look into the history of taxation of agricultural land.

Until the 1960's, Texas farm and ranch land was appraised for taxation at its market value - the price a buyer would pay for it in an ordinary transaction. As Texas became more urban, farm and ranch land increased in value considerably, especially in developing areas. Concerned that taxes could become so high that farmers and ranchers would be forced to abandon agriculture, the voters of the state in 1966 approved an amendment to the Texas Constitution, the first agricultural appraisal law.

Article VIII Section 1-D was added to the constitution providing that certain types of land be appraised not at market value, but at the land's productivity value - a value based on land's capacity to produce agricultural products. The original law was restricted to land owned by individuals (it did not include land owned by corporations) whose primary occupation and primary source of income was agriculture. Also, qualified land which sold was assessed a rollback tax to recapture the tax savings from the previous three years, plus interest.

Twelve years after the original law was enabled, in 1978, voters approved another amendment, Section 1-D-1, which authorized a second, less restrictive agricultural appraisal law that greatly expanded eligibility for agricultural appraisal. Under this new law, a corporation could now qualify for agricultural appraisal.

Also, the owner was no longer required to derive most of his income from agriculture, nor did the primary occupation of the owner have to be farming or ranching. A sale of the property did not cause a tax rollback to be effected. The new constitutional amendment took effect in 1979. The Texas Legislature enacted the Property Tax Code in that same year, which contains the legislation implementing the new agricultural appraisal laws.

The Property Tax Code is the primary source of law governing agricultural appraisal today. Within the Tax Code are contained the requirements for qualification of land for agricultural valuation, along with the limitations on eligibility. Let's look in some detail at those requirements for qualification.

The Constitution permits special agricultural appraisal only if land and its owner meet specific requirements defining farm and ranch use. Land doesn't qualify simply because it is rural or has some connection with agriculture. Neither will it qualify because it is open land that has no other possible use. Casual land uses such as home vegetable gardens and recreational use don't really constitute agriculture.

Section 23.51 of the Texas Property Tax Code sets the standards for determining whether land qualifies for agricultural appraisal. That section states that "qualified open-space land means land that is currently devoted principally to agricultural use to the degree of intensity generally accepted in the area and that has been devoted principally to agricultural use... for five of the preceding seven years." To qualify land for agricultural appraisal, the owner must show the chief appraiser that his land meets the Section 23.51 standard. The owner must give the chief appraiser all the information he needs to determine whether the land qualifies.

This section will explain the requirements contained in the definition in the Tax Code:

1. Agricultural appraisal applies only to land

It does not apply to improvements on land such as barns, storage tanks, and farm or ranch outbuildings. These items are appraised separately at market value. Appurtenances to the land such as fences, stock tanks, and roads are included in the land value and are not separately appraised.

2. The land must be currently devoted to agricultural use

The use must be current, meaning active management is currently taking place on the land. Land will not qualify simply because "that's all it's ever been" or because the owner intends to use the land for an agricultural purpose.

3. The use must be agricultural

The Tax Code defines agricultural use as follows: "agricultural use includes but is not limited to the following activities: cultivating the soil, producing crops for human food, animal feed or planting seed or for the production of fibers; floriculture, viticulture, and horticulture; raising or keeping livestock; raising or keeping exotic animals for the production of human food or of fiber, leather, pelts, or other tangible products having a commercial value; and planting cover crops or leaving land idle for the purpose of participating in any governmental program or normal crop or livestock rotation procedure and wildlife management." The Comptroller's manual for agricultural appraisal notes that production of any commercially

valuable livestock, fish, or poultry product probably constitutes agricultural use as well. Some agricultural related activities that do not qualify land for agricultural appraisal are:

- a. harvesting native plants
- b. hunting native wild animals such as deer or turkey
- c. processing activities that take place after the crop or animal has been harvested such as slaughter operations or cotton ginning.

4. The principle use of the land must be agricultural

If the land is used for more than one purpose, its primary or most important use must be agriculture. For example, the primary use of a half acre of land with a home and garden is probably residential. Secondary uses should not prevent land from qualifying if the primary use is agriculture, however. For example, land used primarily to graze cattle could also be used for hunting or recreation, provided the most important or primary use of the land is grazing cattle. Raising and breeding horses is a qualifying land use. Land used primarily to keep, train, show, race, or ride horses does not qualify.

5. Agricultural land must meet degree of intensity standards

The level of use must be to the degree that is typical in this area. The degree of intensity test measures whether the land is being farmed or ranched to the extent that is typical for similar operations in the area generally.

The law does not state what degree of intensity qualifies a particular type of land. In a state as large as Texas, no statutory definition could cover all the possible agricultural uses. The chief appraiser is responsible for setting degree of intensity standards for the types of commodity production in the area, with the assistance of the agricultural advisory board, which is made up of three local farmers and ranchers. Our current standards for pasturing livestock are generally these:

- a. adequate fences must be maintained
- b. stock water must be supplied
- c. there must be systematic marketing practices in place, that is, herd management procedures to get the animals to market
- d. there needs to be proper land management to provide long-term forage
- e. there must be enough animals units to match the carrying capacity of the land. We have determined varying stocking ratios depending on whether land cover is improved grass, open native pasture, primarily mesquite or mixed brush, or post oak land. Refer to the attached Degree of Intensity Standards for a complete listing.
- f. there must be enough animals to constitute a typical agricultural operation. Refer to the attached Degree of Intensity Standards for a complete listing.

6. Land must have been devoted principally to agricultural use for any five of the preceding seven years

So to qualify land in 2003, it must have been used principally for agriculture for any five years out of the seven year period from 1996 through 2002. This is in addition to the requirement that the land be devoted currently to agriculture in 2003. If land is located within a city, it may be required to have been in continuous use in the preceding five years.

7. An owner of agricultural land must file a timely and valid application with the appraisal district

Generally an application must be filed after January 1st and before May 1st of the year you want to qualify the land, but you may file late and pay a small penalty in some instances. You can pick up an application at the appraisal district office or call and we'll drop one in the mail. Our staff will assist you if you need help in filling out the form. You are not required to file a new application each year once your land is approved; however, if we notify you in writing that you are to file a new application, you must reapply or the special appraisal will be automatically removed. Once approved, you must notify the appraisal district if you stop using the land for agriculture, or if you change the type of use of the land. If the use of qualified land is changed to a non-agricultural use, the land will be subject to a tax rollback for the previous five years, plus interest.

After receiving your application, the chief appraiser will review the application, inspect the property, and make a determination as to whether all the qualifications have been met. You may be contacted and asked to provide further information and/or documentation to support your application. If the agricultural value is granted, you'll see it reflected on your tax statement. If the application is denied, you will be notified in writing by certified mail of the reason(s). You then have the opportunity to file a protest of the decision and appeal the denial to the Appraisal Review Board.

If you still have further questions, please call or come by the Caldwell County Appraisal District office.

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**CALDWELL COUNTY APPRAISAL DISTRICT- DEGREE OF INTENSITY
STANDARDS**

The “degree of intensity” test measures whether the land is being farmed or ranched to the extent typical for agricultural operations. This test is intended to exclude land on which token agricultural use occurs in an effort to obtain tax relief. The degree of intensity test measures what the property owner/operator is putting into the agricultural operation (in time, labor, equipment, management, and capital), and compares it with typical levels of inputs for the same type of operations in the area generally. In addition, a property owner/operator should be able to verify purchases and sales of livestock and/or farm products by bill of sale, sales receipt, or other documentation. The following standards will be applied by Caldwell County Appraisal District:

OPERATION TYPE	MINIMUM NUMBERS	NUMBER OFFSPRING / YEAR
Cow / Calf	4 Cows	3 Calves
Stocker Calves	8 Calves	
Breeding Horses	4 Mares	2 Foals
Goats	20 Nannies	20 Kids
Sheep	20 Ewes	20 Lambs
Hay	1.5 tons / year	

Management Practices: Native/Improved Pastures

1. Adequate fencing- Suitable to contain livestock; securable gate.
2. Fertilized and weeds controlled (mechanical or chemical)
3. Economic return generated- sale of livestock or hay produced.
4. Land may be left idle for the following reasons: a normal crop or livestock rotation; as required by participation in a government program; or to serve some other agricultural necessity such as fence repair, water placement or repair, soil shaping, etc. In the event that land is idle for the above state purpose, it must be evident that these improvements are in progress and being accomplished within a reasonable period of time. During idle periods that land must be maintained in a workmanlike manner.

Primary Use

The primary use of a tract must be agricultural. The primary use of any tract 5 acres or less with a residence will generally be considered residential. The excess acreage may qualify if it meets all of the exceptions listed within Exception #1 of the Minimum Acreage section listed above.

Minimum Acreage

Properties less than 10 acres will generally not qualify for the special-use valuation. Consideration will be given to tracts less than 10 acres if any one of the following exceptions is met:

1. Consideration will be given to parcels less than 10 acres that are operation with an adjoining parcel if all of the following requirements are met:
 - a.) The agricultural use and operator of both parcels are the same.
 - b) There is no type of physical barrier such as fence or road that separates the parcels.
 - c) When adding the total acreage of the two parcels together, the total acreage devoted to agriculture use must be at least 10 acres.
 - d) In addition, all other requirements must also be met
 - e) Properties that qualify under this exception may be asked to reapply annually.
2. Consideration will be given to parcels less than 10 acres that are being used for intensive type agricultural operations such as plant nurseries or vegetable truck farms.
3. The Caldwell County Appraisal District understands that other exceptions may arise and will evaluate those exceptions on an individual basis.

DRY CROP LAND

Typical crop rotation: cotton/corn, milo, or wheat.

Standard practices:

Shred previous crop, till, plant, fertilize, apply herbicide, insect control, maintained in a workman-like manner, harvest

IMPROVED GRASS

Pasture Use or Hay Production

Standard Practices:

Hay Use: Tillage, fertilize, cut, bale, haul, feed or market.

Pasture Use

: Fertilize, weed control, fences maintained, stock water, systematic marketing of animals, proper management of land for long-run forage.

Typical animal stocking ratio: 4-8 acres per animal unit*

OPEN NATIVE PASTURE

Standard Practices:

Weed control, fences maintained, stock water, systematic marketing of animals, proper management of land for long-run forage.

Typical animal stocking ratio: 8-14 acres per animal unit*

MESQUITE or MIXED BRUSH PASTURE

Standard Practices:

Fences maintained, stock water, systematic marketing of animals, proper management of land for long-run forage.

Typical animal stocking ratio: 12-20 acres per animal unit*

POST OAK PASTURE

Standard Practices:

Fences maintained, stock water, systematic marketing of animals, proper management of land for long-run forage.

Typical animal stocking ratio: 25-40 acres per animal unit*

*Animal Unit equals 1 cow; 1 bull; 2-500 lb calves; 5 sheep; 5 goats. A horse equals 1.5 units.

NOTE: Caldwell County requires a minimum number of animals run at any given time, on pasture land, to qualify for 1-d-1 agricultural appraisal. Minimum animal counts
20 grown ewes or nannies 4 cows 4 brood mares 8 calves 5 jennies

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