

Knox County Appraisal District

Agricultural Appraisal

&

Intensity Standards

**Compiled with the assistance of the 2014 Agricultural
Advisory Board for Knox County**

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 Knox County worth \$750 per acre in 2015 would be \$1,020.45. The tax on 100 acres of native pasture land that qualifies for agricultural appraisal would be \$31.29.

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 always 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 to lower the taxable value, and consequently will lower the property owners' tax bill. Using standard market value appraisal methods would result in a higher tax. To get a better understanding of why we have agricultural appraisal, we should look into the history of taxation of agricultural land.

Until the 1960s, 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 the 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 *I-D-I*, 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 of eligibility.

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 do not constitute agriculture.*

Section 23.51 of the Texas Property Tax Code sets the standards for determining whether land qualifies for agricultural appraisal. This 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 the 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:

- **Agricultural appraisal applies only to land.**
It does not apply to improvements on land such as barns, storage tanks, or farm/ 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.
- **The land must be currently devoted to agricultural use.**
The use must be current, meaning active agricultural 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.
- **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 consumption, animal feed or planting seed 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 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:

- 1) Harvesting native plants
- 2) Hunting native wild animals such as deer or turkey
- 3) Processing activities that take place after the crop or animal has been harvested such as slaughter operations or cotton ginning.

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. Land used primarily to graze cattle could also be used for hunting or recreation and would qualify; 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 trained, show, race, or recreationally riding horses does not qualify.

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 or 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 animal units to match the carrying capacity of the land
 - f) The Chief Appraisers along with the help of the agricultural board determined the stocking ratios for the counties' agricultural area.
 - g) There must be enough animals to constitute a typical agricultural operation
- **Refer to the attached Degree of Intensity Standards for a complete listing

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

For example, to qualify land in 2014, it must have been used principally for agriculture for any five years out of the seven year period from 2007 through 2013. This is in addition to the requirement that land be devoted currently to agriculture in 2014.

- 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, but a penalty will be added. Applications are available at the appraisal district and online www.statecomptroller.org or www.isouthwestdata.com 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 have further questions, please call or come by the Knox County Courthouse located at:

Knox County Appraisal District
100 West Cedar Street,
P.O. Box 47, Benjamin, Texas 79505
940-459-3891

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 in Knox County. 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 operation in the area. 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 Knox County Appraisal District

MANAGEMENT PRACTICES: NATIVE/IMPROVED PASTURE

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 crop 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 stated purpose, it must be evident that these improvements are in progress and being accomplished within a reasonable period of time.
5. Typical animal stocking ratio:
Carrying Capacity will fluctuate year to year based on weather and grazing conditions.
Native Pasture = 1 unit per 60 acres

Minimum Acreage

Acreage requirements exclude home site land. Properties less than 10 acres will generally not qualify for the special-use valuation. Consideration will be given to tracts less than 10 acres that are operational with contiguous parcels if all of the following requirements are met:

All other KCAD degree of intensity requirements must be met.

Consideration will be given to parcels less than 10 acres that have common ownership and are being used for intensive type agricultural operations such as plant nurseries, vegetable truck farms, or beekeeping.

The Knox County Appraisal District understands that other exceptions may arise and will evaluate those exceptions on an individual basis.

MANAGEMENT PRACTICES: DRYLAND AND IRRIGATED CROP

Typical crops: cotton, wheat and hay grazer

Standard practices:

Shred previous crop, plant, fertilize, apply herbicide, insect control, harvest or graze out wheat.

MANAGEMENT PRACTICES: GOVERNMENTAL PROGRAMS

Currently, the only governmental program that will qualify for 1-d-1 productivity on its own is the Conservation Reserve Program (CRP) ten year set aside program. This type of program is a federal program that allows producers to put cropland back into grassland. The land owner is paid to participate in this program.

MANAGEMENT PRACTICES: BEE GUIDELINES

Beekeeping is an agricultural use and shall qualify for agricultural use productivity valuation if used for pollination or for the production of human food or other tangible products having commercial value.

Acres Requirement

Bees may qualify on tracts of land from 5-20 acres.

Degree of Intensity

05-10 acres	At least 6 active hives
11-15 acres	At least 9 active hives
16-20 acres	At least 12 active hives

Documentation for agricultural use Bees can be used to establish history

Export, import or intra-state permits required by Texas Apiary Inspection Service Agricultural use will be granted on total acreage, not just the area where the hives sit.

WILDLIFE MANAGEMENT OPERATIONS

In 1991 the first wildlife management law was passed which allowed productivity appraisal for land used to manage indigenous wildlife. Implementation of this law was limited because of unanswered questions which may have jeopardized the land owners' 1-d-1 productivity valuation in some instances. In 1995, Texas voters approved Proposition 11, which amended the original Wildlife Management law and allowed landowners to implement the law without fear of penalty. The Comptroller of Public Accounts has published a brochure called, *Guidelines for Qualification of Agricultural Land in Wildlife Management Use*. A copy of this publication is included with this guideline. The Comptroller's publication is to be followed for qualification of wildlife management land in the Knox County Appraisal District.

In order for the property to begin receiving the 1-d-1 agricultural appraisal under the Wildlife Management guidelines, the property must already have a 1-d-1 agricultural valuation. The Knox County Appraisal District uses those guidelines as set out by the **Texas Parks and Wildlife's Wildlife Management Activities and Practices - Comprehensive Wildlife Management Planning Guidelines for the High Plains and Rolling Plains Ecological Regions** in determining if a property qualifies.

For properties subdivided after January 1, 2001 from larger tracts already receiving the 1-d-1 or 1-d-lw agricultural appraisal, the Knox County Appraisal District has adopted the following minimum size requirements for wildlife management properties:

- Acreage to be dedicated to wildlife management - 90%
- Acreage that lies within a qualifying wildlife property association - 90%
- Acreage that is designated by the Texas Parks and Wildlife Department as habitat for an endangered species, a threatened species, or a candidate species, as determined by Texas Parks and Wildlife Department - 90%

The appraisal district requires that the property owners submit a **written management plan** completed on the form prescribed by the Texas Parks and Wildlife Department along with a new **application for 1-d-1 agricultural appraisal** for wildlife management. A wildlife property owner may prepare a single wildlife management plan, provided all required information is included for each tract of land in the wildlife management property association and the plan is signed by each landowner or an agent of the landowner.

The appraisal district may request that an annual report be filed showing how the wildlife management plan was implemented in any given year. The annual report shall be on the form prescribed by the TPWD and shall include supporting documentation on how the wildlife management plan was implemented. A wildlife management property association may file a single annual report, provided that the report shows how the wildlife management plan was implemented on each tract of land in the wildlife management property association and the report is signed by each landowner or agent.

The property's agricultural value is treated the same as that of traditional 1-d-1 agricultural value.

1-D-1 ROLLBACK TAX PENALTY

Landowners need to be aware that if the use of land having 1-d-1 productivity value is changed to a non-agricultural use then a roll back tax may be imposed. Land that incurs a rollback tax will be back-taxed for up to five years, if it had productivity value for the full five years. The term rollback is used because it recaptures the taxes that would have been paid if the property had been taxed at market value, and covers the five years preceding the year of the use change.

Example Only:

Year	Tax Paid	Tax on Market Value	Difference
2013	\$50	\$1000	\$950
2012	\$50	\$1000	\$950
2011	\$48	\$975	\$927
2010	\$48	\$975	\$927
2009	\$45	\$950	\$905
		Total Base Tax:	\$4,659

In addition, the tax assessor must add seven percent (7%) annual interest on these amounts from the date they would have become due.