

STEPHENS COUNTY APPRAISAL DISTRICT



BOARD POLICY

GUIDELINES FOR DETERMINATION OF SPECIAL VALUES: AG PRODUCTION

Compiled with the assistance of the
Agricultural Advisory Board for
Stephens CAD

Approved by the Stephens
CAD Board of Directors
{DATE}

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Introduction

Texas Agricultural Appraisal Laws

It is the opinion of the Stephens County Appraisal District (SCAD) that the attached Agricultural Land Qualification Guidelines are valid for mass appraisal purposes and can be applied uniformly throughout SCAD. The Manual for the Appraisal of Agricultural Land, Property Tax Division, Comptroller of Public Accounts, October 2020 Supports these guidelines.

The Texas Constitution permits qualified open-space land to be taxed generally at productivity value instead of market value. The legal basis for this type of special value called "Ag Use Open Space" or "1-D-1" is found in the Texas Constitution, Article VIII, Sec 1-d-1. The Texas Property Tax Code, Sec 23.51-23.57 provide the core provisions for implementation.

It should be noted that the guidelines are to be used as a general guide for qualifying agricultural land. Exceptions to this guide will be handled on a case-by-case basis. All continuous parcels can be considered on a standalone basis with consideration being given to common ownership.

The general policy for SCAD is in accordance with the Manual for Appraisal of Agricultural Land, qualification guidelines for ag use. In order to qualify for Ag Use or Open Space valuation, the following requirements must be met.

Agricultural Appraisal Advisory Board

In accordance with Texas Property Tax Code Section 6.12, the Chief Appraiser shall appoint, with the advice and consent of the Board of Directors, an Agricultural Advisory Board to provide guidance and insight to ag valuation. Please see the Stephens CAD *Policy on the Agriculture Advisory Board* for the process and qualifications of advisory board appointments and duties.

Qualification of Land for Ag Valuation

Section 23.51 of the Property Tax Code sets the standard for determining whether the land qualifies for an agricultural evaluation under 1-d-1. This section states "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 or to production of timber or forest products for five years of the preceding seven years."

To qualify for 1-d-1 agricultural valuation, the land must have agriculture as its principal use. It is the land that qualifies, not the owner. Land does not qualify simply because it is rural in nature or because it has some connection with agriculture. To qualify for 1-d-1 appraisal the land must meet the tests below:

Primary Use Test

The land may have more than one use, but its most important or primary use must be agricultural. If there is more than one use, the CAD must determine which use is primary. If another use replaces agriculture as the primary use, the land will not qualify for ag valuation. Casual use of the land for personal production does not qualify.

Current Use Test

The land must be in agricultural use on January 1 of the tax year. If no ag use is evident on January 1, the CAD should grant special valuation only if the owner shows intent of ag use and that ag will be the primary use for the bulk of the tax year.

Degree of Intensity Test

To be approved for ag valuation, the land must be in agricultural use to a degree of intensity that is typical in the area. This test is intended to exclude land which has taken ag use for the purpose of obtaining tax relief. The CAD is responsible for defining the “area” and for setting degree of intensity standards. The “area” for Stephens CAD shall be defined as that area within the boundaries of the CAD. Most minimum degree of intensity for Stephens CAD will be twenty acres of crop land or at least one animal unit kept on a minimum of twenty. There are some less than 5-acre tracts that are next to larger tracts that will be included in the ag valuation. Recognizing that a full animal unit on a twenty-acre tract may overload the productive capacity of the land, it may be acceptable to use the land for only a portion of the year, as when raising feeder calves for sale. The Chief Appraiser may choose to request periodic reapplications for small tracts to assure that the degree of intensity continues to be met. Stocking minimums for larger acreage tracts (35 acres and more) should be not less than one animal unit per 35 acres. Degree of intensity standards for Stephens CAD will be further defined below.

Degree of Intensity Standards

The Stephens CAD has determined a commercial livestock operation must meet the degree of intensity standards to be considered for special valuation or the land must be actively producing in conjunction with a larger livestock operation that meets or exceeds the minimum requirements.

The degree of intensity standards are guidelines to serve as a tool to assist the CAD in determining general qualifications for qualifying land for agricultural valuation. Each application should be considered on its own merit, as there may be other circumstances in an operation which would allow a tract of land to qualify for an open space use appraisal.

Typical Agricultural Operations for Stephens County

Typical agricultural operations in the Stephens CAD include:

- grazing and livestock breeding operations
- cultivated and farming operations which include tilling the soil
- hoofed exotic breeding operations
- beekeeping
- wildlife management operations

Other agricultural operations not covered by these guidelines will be handled on a case-by-case basis until such operations become typical of the area.

Grazing & Livestock Breeding Operations

Livestock operations must be supported by the land without excessive supplemental feeding during an average growing season. Animal units for various species are shown on the attached Animal Equivalency Chart.

Cow and Calf Operations

This type of operator is in the business of breeding and raising beef for sale either for breeding stock or for beef processors or feedlots. These operators may have either purebred or commercial stock. Some small operators may lease or borrow a bull rather than keeping a bull year-round.

Stocker and Feeder Calf Operations

These operators are in the business of acquiring calves at a certain weight and then raising them until they are large enough for resale for slaughter, for the feedlot, or for replacement heifers. Both steers and heifers are typical of this operation.

Sheep Operations

Sheep may be raised for wool and/or meat production. Some sheep producers sell to other sheep operators for breeding stock..

Goat Operations

Goats are raised for the production of meat, mohair, and/or milk, depending on the breed of goat. Spanish goats and Boer goats are popular in this area for meat production. Both purebred and commercial goats are found in the area.

Equine Operations

Equine operations are generally considered to be recreational rather than agricultural. It would not be considered agricultural for 1-d-1 valuation purposes unless it is a breeding operation. A breeding operation would involve having brood mares and it would require a stud on location, artificial insemination, or available stud services. This operation could involve any breed of horses or donkeys.

Hoofed Exotic Breeding Operations

This type of operation involves the raising of various types of exotic animals such as non-native deer, antelope, ratites, and other types of animals not native to Texas. Exotic animal producers raise the animals for the production of meat or other commercially viable products such as leather, feathers, hair, or other byproducts that are used for cosmetics or medicinal purposes. Some exotic animal raisers produce breeding stock for other exotic animal operators. Exotics raised for commercial purposes qualify as agricultural, but if the primary purpose of keeping the animals is for hunting, that is considered recreational, not agricultural in nature.

Example 1

In this example a person owns 640 acres of native pasture. The acres by native pasture subclass are:

- 240 ac of NATP2= 6.85 AUs
- 400 ac of NATP3= 11.42 AUs

Total required AUS is 19.

Example 2

The entire 20 acres is in subclass NATP3

20 Acres / 35 AC/AUY = .57 AUs Required AUs is 2 based on required minimum

Animal Unit Equivalency Chart

LIVESTOCK	NUMBER OF HEAD
Number of Head = 1AU	
COW OR COW WITH CALF	1
YEARLINGS (up to 2 years)	0.7
HORSE	1
MINIATURE HORSE	2
DONKEY OR MULE	1
EWES	5
LAMBS	8
RAMS OR BUCK SHEEP	4
NANNY GOATS OR DOES	6
BILLY GOATS OR BUCKS	5
KID GOATS	10
MUTTON GOATS	6

EXOTICS	NUMBER OF HEAD
Number of Head = 1AU	
ANTELOPE (Blackbuck, Nilgai, Red, Water Buck)	9
ANTELOPE (Eland, Gemsbok, Water Buck, Wildebeest)	4
AMERICAN BISON	1
DEER (Axis, Fallow, Red, Sika, White Tail, Texas Dall)	10
DEER (Red, Pere' David, Barasingha)	4
<u>ELK</u>	2
<u>EMUS</u>	4
IBEX GOATS	5
OSTRICH	4
SHEEP (Barbado, Aoudad, Jacob 4 Horn, Mouflon)	5
WATER BUFFALO	1
WATUSI	1

Cultivation and Farming

Cropland Operations

Common cropland operations include the production of small grain crops, sorghum hay, improved pasture hay, and various row crops. Many ranchers plant oats for winter grazing. Improved pasture grasses provide both grazing and hay crops. Stephens County has no commercial irrigated crops lands. All crops produced are dry land crops. Typical crop production activities include tilling of the soil, supplemental fertilization, weed control, and insect control. Cropland should typically produce at least one harvest per typical year. A qualifying tract of crop land would include a minimum of twenty acres.

Orchard Operations

Common orchard operations include the production of fruit trees. Typical fruit tree production activities include weed control, water availability, insect control, fertilizer, prune trees, management, and harvest. Orchards should typically produce at least one harvest per typical year. An orchard must be a wholesale operation.

Orchard-Pecans	5 Acres	35 Trees per Acre
Orchard-Fruit Trees	5 Acres	70 Trees per Acre
Tree Farms	5 Acres	100 Trees per Acre

Vineyard Operations

Common orchard operations include the production of grapes for consumption or wine. Typical production activities include weed control, irrigation, insect control, fertilizer, trellis design/management and harvest. A vineyard must be a wholesale operation.

Table Grapes	5 Acres	400-600 Vines per Acre
Wine Grapes	5 Acres	600-700 Vines Per Acre

Production of Grain Sorghum, and other row crops

1. Land must be free of brush
2. Deep broke, chiseled and/or plowed and planted (no till allowed)
3. Application of fertilizer, herbicide and pesticide as needed
4. Harvest average county yield or shred and/or disk to destroy stalks and form a mulch

Production of Wheat, Oats, Rye, etc.

1. Land prepared with chisel or plow (no till allowed)
2. If wheat is planted for grain, must plant 50 – 100 lbs. of seed per acre If wheat is planted for forage, must plant 80 – 100 lbs. of seed per acre
3. Application of fertilizer, herbicide and pesticide as needed
4. Harvest to average county yield or graze to support 1 animal unit per 1 ½ acres

Improved Pastureland

1. Normally associated with bermudagrasses, Klein grass, or other native and introduced grasses that are managed more intensively than Native Pasture.
2. Application of fertilizer, herbicide and pesticide as needed
3. Cutting and baling and/or grazing (may be a combination)
4. Minimum yield: 1 ½ tons per acre

Native Pasture

1. Property stocked in accordance with Minimum Intensity Stocking Rates
2. Adequate fencing suitable to contain livestock, securable gate and stock water
3. Sale of livestock for economic return
4. Management of land for long-run forage

Table 1. Minimum Stocking Rate for Native Pasture and Improved Pastureland to Meet Degree of Intensity Standards

Agriculture Subclass	ANP AC/AUY	AIC AC/AUY
1	25	10
2	30	15
3	35	20

Soil Classification

The soil capability classes are designated by the numbers 1 through 8. The numbers indicate progressively greater limitations and narrower choices for practical use. The classes are defined as follows:

Class 1 (Good) soils have few limitations that restrict their use.

Class 2 (Good) soils have moderate limitations that reduce the choice of plants or that require moderate conservation practices.

Class 3 (Average) soils have severe limitations that reduce the choice of plants or that require special conservation practices, or both.

Class 4 (Average) soils have very severe limitations that reduce the choice of plants or that require very careful management, or both.

Class 5 (Average) soils are subject to little or no erosion but have other limitations, impractical to remove, that restrict their use mainly to pasture, rangeland, forestland, or wildlife habitat.

Class 6 (Fair) soils have severe limitations that make them generally unsuitable for cultivation and that restrict their use mainly to pasture, rangeland, forestland, or wildlife habitat.

Class 7 (Fair) soils have very severe limitations that make them unsuitable for cultivation and that restrict their use mainly to grazing, forestland, or wildlife habitat.

Class 8 (Fair) soils and miscellaneous areas have limitations that preclude commercial plant production and that restrict their use to recreational purposes, wildlife habitat, watershed, or esthetic purposes.

Beekeeping

Beekeeping is an agricultural use and shall qualify for agricultural valuation if used for pollination or for the production of human food or other tangible products having a commercial value, provided that the land used is not less than 5 or more than 20 acres (Tax Code Section 23.51(2)).

The minimum degree of intensity was established using Section 131.001 Texas Agriculture Code's definition of an apiary, which is a place where six or more colonies of bees or nuclei of bees are kept. A colony is the hive and its equipment and appurtenances including bees, comb, honey, pollen and brood.

For each additional two (2) acres, one additional colony is required. For example, if a property owner has fifteen acres of land used for beekeeping, eleven colony would be needed to qualify.

First 5 acres	6 colonies
<u>Additional 10 acres</u>	<u>5 colonies</u>
Total Colonies required 11 colonies	

When property owners initially qualify for agricultural value, they must show proof of history for agricultural use for any of the five preceding seven years. One way to do this is to provide export, import or intra-state permits, which are required by the Texas Apiary Inspection Service to transport colonies. Historic financial records indicating active home production and or leases could be utilized.

Typically, 1 acre is held out for homesteaded properties. This reduces the available acres for agricultural valuation. If you own 5 acres and have a homestead on the property you will need 1 additional acre for a total of 6 acres to qualify for the lower end of the 5 acres needed for Bee Keeping. SCAD does not currently allow multiple owners to join together to meet the 5-acre minimum. Each owner must meet the 5 acres minimum on their own.

Using the basic income/rate/value (IRV) formula for developing an income approach to value, we developed a productivity value for beekeeping.

In Texas it is estimated that an established hive will produce an average of 60 pounds of honey per year. SCAD estimates an average of \$60.00 per hive per year for expenses. The average wholesale price for honey is \$2.10 per pound. The following is Stephens County Appraisal District's calculation.

The productivity value is applied on a per-acre basis. Therefore, the following formula is used:

Total Income Per Hive: $60.00 \text{ lbs} \times \$2.10 = \$126.00$

Total Expenses per Hive per year: \$60.00

Net Operating Income: $\$126.00 - \$60.00 = \$66.00$

Productivity per Hive: $\$66.00 / .10 \text{ crate rate} = \660.00

Governmental Programs

Land tracts on which agricultural activity has been suspended or limited due to government programs such as the Conservation Reserve Program (CRP) will still qualify for agricultural valuation as long as it remains in the program. Participation in a program will be verified with the FSA office.

Land Leases

Leases are an acceptable agricultural practice provided that the lessee is using the land in a manner and to a degree of intensity that meets Stephens CAD standards. Smaller acreage may qualify for 1-d-1 if the lessee has enough contiguous land to meet the minimum standard tract size.

An owner applying for ag valuation on land under lease should include with the application a copy of the lease agreement if possible. If there is an oral lease agreement, the lessee should provide a letter stating the type of Ag use, the name of the lessor, and the duration of the lease if known.

Land Located Within City Limits

Additional restrictions apply to land located within the boundaries of an incorporated city or town. To qualify for 1-d-1 Ag appraisal, the land within the city limits must meet all of the above qualifications, and must meet one of the following qualifications:

- The city must not provide the land with general services comparable to those in other parts of the municipality having similar features and population.
- The land must have been devoted principally to agricultural use continuously for the preceding five years.

Administrative Procedures for 1-d-1 Ag Lands

Each January, Stephens CAD will publish public notices in the newspaper notifying taxpayers of their right to file for certain exemptions, including the availability of special valuation for qualifying agricultural lands.

Application for 1-d-1 (Open Space) Agricultural Valuation

The application must meet the following requirements:

- The land must have been devoted to qualifying agriculture use for at least five (5) of the proceeding seven (7) years. When history is in doubt the following are examples of documents that can be provided for verification: IRS forms, sales receipts, expense receipts and/or sworn affidavits from persons (lessee/lessor) having knowledge of the subject property.
- Land under agriculture production must be specifically identified and products produced clearly stated.
- The land should be described legally and physically. Physical description identifies the land in categories or classifications such as dry land crops or native pasture as well as the number of said acres in production.
- Productivity capacity must be described to allow for measurement of production intensity.

Land located within the city limits generally will not qualify. However, if within the city limits the following requirements must be met in addition to the normal requirements:

- Land must have been devoted principally to ag use for the preceding 5 years.
- General Services (Water/Sewer) are not available for the location of the property by the city if requested.

Application must be made on an acceptable form after Jan 1 and before May 1 of the tax year. If May 1 falls on a weekend or holiday, the next business day is the deadline. The USPS postmark is considered to be the delivery date. The Chief Appraiser may extend the deadline, for good cause, for no more than sixty (60) days, if the request is received in writing before the deadline. (TPTC § 23.54 (d))

A new application must be filed when there is a change in ownership (this will include sales, moving to a trust, LLC, INC or CORP). If a person/company fails to file a valid application on time, the land is **ineligible** for Agriculture appraisal for that year. Once an application is filed and approved, a landowner is not required to file again as long as the land qualifies, unless the Chief Appraiser requests another application to confirm current qualification.

Applications received after the deadline will be accepted until the appraisal roll is certified. If approved, late applications will be subject to a ten (10) percent penalty of the difference between the amount of tax imposed on the property at agriculture value and the amount that would have been imposed if the property was taxed at market value (TPTC § 23.541 (a&b))

Valuation of 1-d-1 Ag Lands

Land that has been approved for special valuation under 1-d-1 is valued using the income approach by the following five steps:

1. Develop a land classification system grouping the land into principal types of agricultural uses. Stephens CAD has established the following land classes:
 - Dry Crop Land
 - Improved Pasture Land
 - Native Pasture Land

Each of the above-mentioned land categories will be further subdivided into Good, Average and Fair.

2. Estimate the net to land per acre for each class and sub-class. This annual income is based on the five year average proceeding the year before the appraisal.
3. Divide the net to land for each class by that year's capitalization rate to develop a productivity appraisal schedule by land class.
4. Classify all qualified agricultural land according to the classification system.
5. Use the schedule to calculate the productivity value for each parcel of land. For any given parcel of land, the number of acres times the per acre value for that land class gives the agricultural productivity value.

Income and expense data shall be collected annually from the Agricultural Advisory Board. Each board member will be requested to respond to the annual Texas Farm and Ranch Survey from the Property Tax Assistance Division of the Texas Comptroller's Office, using their expert knowledge and experience to provide income and expense data for each land class and sub-class.

In addition to establishing an agricultural productivity value, the Chief Appraiser is also required to keep a record of the market value of the land for each tax year.

Rollback Tax

The Texas Property Tax Code imposes an additional tax called a “rollback tax” on 1-d-1 land which is changed to a non-agricultural use. This is an additional tax which is imposed on the date the change of use occurs. If only a portion of the land changes use, the rollback tax is imposed only on the portion of land that has the change of use.

A parcel of land which was subdivided into residential lots would be an example of a change of use. Another example would be when commercial activity becomes the primary use of the land.

It is the Chief Appraiser’s responsibility to determine if and when a change of use has occurred and to send the owner written notice of his determination. If the owner does not protest the Chief Appraiser’s determination within 30 days of the date the notice is mailed, the Tax Assessor Collector will calculate the additional tax due, add the appropriate amount of interest, and send a rollback tax bill.

The rollback tax is calculated on the five years previous to the current year. If the use changes in 2016, the rollback tax will be on tax years 2015, 2014, 2013, 2012, and 2011. The rollback tax is the difference between the taxes paid under 1-d-1 appraisal and the amount of tax that would have been paid at market value appraisal. For example, if a change of use occurs in 2016:

<u>Year</u>	<u>Tax Paid</u>	<u>Tax on Market Value</u>	<u>Difference</u>
2015	\$50	\$1000	\$950
2014	\$50	\$1000	\$950
2013	\$50	\$975	\$925
2012	\$48	\$950	\$902
2011	\$47	\$900	<u>\$853</u>
		Total Base Rollback Tax:	\$4580

- ❖ In addition to the base rollback tax, the assessor must add seven percent interest on these amounts from the date they would have become due.

Rollback taxes are due as soon as the rollback tax bill is mailed. It becomes delinquent if not paid by the February 1 which is at least 20 days after the tax bill is mailed.

A tax lien attaches to the land on the date the use changes. The lien covers the amount of the tax, interest, and any penalties. Sometimes there is a change of ownership near the same time as the change of use. Under the law, the owner at the time the change of use occurs is liable for the rollback tax, but the lien may be foreclosed against the land regardless of who is liable.

RESOLUTION

We the undersigned represent the Board of Directors for the Stephens County Appraisal District and by this writing approve the following resolutions and consent their adoption.

Whereas, the information in this document is provided to the District as a set of guidelines;

Whereas, this information was created with input from the local Ag Advisory Board;

Whereas, this information will be reviewed annually by the Ag Advisory Board;

RESOLVED, that the Board of Directors recognizes its duties and retains oversight of the delegated duties to the Ag Advisory Board and maintains the right to revise, reject, amend and resolve any information in this policy.

Approved this day the _____ day of _____, _____ approved by a vote of ___ to ___ during a called Board of Directors Meeting.

Chairman, Board of Directors

Secretary, Board of Directors

Chief Appraiser in Training

RESOLUTION

We the undersigned represent the Board of Directors for the Stephens County Appraisal District and by this writing approve the following resolutions and consent their adoption.

Whereas, the information in this document is provided to the District as a set of guidelines;

Whereas, this information was created with input from the local Ag Advisory Board;

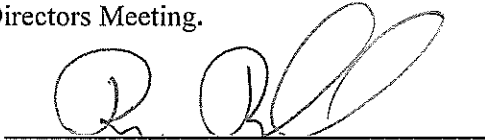
Whereas, this information will be reviewed annually by the Ag Advisory Board;

RESOLVED, that the Board of Directors recognizes its duties and retains oversight of the delegated duties to the Ag Advisory Board and maintains the right to revise, reject, amend and resolve any information in this policy.

Approved this day the 6 day of DECEMBER, 2022 approved by a vote of ___ to ___ during a called Board of Directors Meeting.



Chairman, Board of Directors



Secretary, Board of Directors



Chief Appraiser in Training