



Coryell Central Appraisal District

705 East Main Street
Gatesville, Texas 76528

Guidelines for Qualification and Appraisal Of Agricultural & Wildlife Management Lands

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Introduction

Texas Agricultural Appraisal Laws

In 1966, a constitutional amendment added Section 1-d to Article VIII of the Texas Constitution which provided for a special valuation for certain lands which were in agricultural use. These lands could be appraised at their agricultural productivity value rather than at their market value. Qualification for 1-d appraisal is very restrictive and cumbersome. In 1978, a second, more liberal constitutional amendment was adopted which added Section 1-d-1, which is much easier to administer. While Section 1-d is still a part of the Texas Constitution, no one in Coryell County has opted to use it, favoring instead the more liberal provisions of 1-d-1. In 1995, 1-d-1 appraisal was further expanded to allow for lands under Wildlife Management to qualify for special valuation. Wildlife Management qualifications, which differ from Ag use qualifications, are detailed later in this document. Timber lands also qualify for special valuation based on productivity, but there are no qualifying timber lands within the boundaries of Coryell Central Appraisal District.

As defined by Texas Property Tax Code Section 23.51(2), 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; planting cover crops or leaving land idle for the purpose of participating in a government program, provided the land is not used for residential purposes or a purpose inconsistent with agricultural use; and planting cover crops or leaving land idle in conjunction with normal crop or livestock rotation procedure.

Agricultural valuation is applicable to the land and its appurtenances only, not to any improvements such as barns, sheds, silos, or residences. Appurtenances may include some man-made alterations of the land such as fences, water wells, roads, stock tanks, etc. Minerals (oil, gas, hard minerals) are appraised separately at market value. Agricultural products in the hands of the producer are generally exempt from taxation as are implements of husbandry which are designed and used for farm/ranch purposes.

Following is a set of guidelines for the qualification and appraisal of 1-d-1 agricultural lands and wildlife management lands in Coryell Central Appraisal District. It should be noted that these 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 contiguous parcels, under the same ownership, will be considered as one piece of property.

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 consisting of not less than three members. These members must be landowners within Coryell CAD whose land qualifies for agricultural valuation, and who have been residents of the district for a least five years. Board members will serve staggered two year terms. The Chief Appraiser shall call a meeting of this board minimum of once per year. The board shall advise the Chief Appraiser on the valuation and use of land which may be designated for Ag use within the district.

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

A property owner desiring appraisal of his land under 1-d-1 (Open Space) Agricultural Appraisal must file an application with the appraisal district between January 1 and April 30 of the tax year. Application forms may be obtained from the appraisal district or may be downloaded from the appraisal district web site (www.coryellcad.org) or from the Texas Comptroller website (<http://comptroller.texas.gov/taxinfo/taxforms/02-form11.html>). An extension of the application deadline may be granted by the Chief Appraiser if a written request showing good cause for the extension is submitted prior to May 1. Late applications may be submitted after the deadline up until appraisal roll certification (typically about July 25). Late applications, if approved, will be assessed a late penalty equal to 10% of the difference between the amount of tax imposed on the property and the amount that would have been imposed at market value. If the application is not received prior to roll certification, the property is not eligible for agricultural appraisal for that tax year. Once an application has been approved by the Chief Appraiser or his designee, the land will continue to receive Ag valuation until the owner requests a change, the land's eligibility changes, ownership of the land changes, or the Chief Appraiser requests a new application.

Qualification of Land for Ag Valuation

To qualify for 1-d-1 agricultural valuation, the land must have agriculture as its principle use. Under 1-d-1, it is the land which must qualify, not the owner. The current or historical agricultural use of the land may be by the current owner, a previous owner, or by a lessee. Land does not qualify simply because it is rural in nature or because it has some connection with agriculture. Casual use of the land for home vegetable gardens and the like are not considered agricultural. 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 Chief Appraiser must determine which use is primary. If another use replaces agriculture as the primary use, the land will not qualify for Ag valuation.

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 Chief Appraiser 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 token Ag use for the purpose of obtaining tax relief. The Chief Appraiser is responsible for defining the “area” and for setting degree of intensity standards. The “area” for Coryell CAD shall be defined as that area within the boundaries of the CAD. The minimum degree of intensity for Coryell CAD will be five acres of crop land or at least one animal unit kept on a minimum of five acres. Recognizing that a full animal unit on a five 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 (25 acres and more) should be not less than one animal unit per 25 acres. Degree of intensity standards for Coryell CAD will be further defined below.

Time Period Test

The land will not qualify for Ag valuation unless it has had agriculture as its principle use for at least five of the past seven years.

Typical Agricultural Operations

Typical agricultural operations in the Coryell CAD include grazing operations, farming operations which include tilling the soil, orchard operations (typically peaches or pecans), livestock breeding operations, hoofed exotic breeding operations, and wildlife management operations. Wildlife management must meet a separate set of standards which are discussed in a subsequent portion of these guidelines. 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. Livestock operations must be supported by the land without excessive supplemental feeding during an average growing season.

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. One animal unit is one cow or one cow with young calf.

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. One animal unit is two calves.

Sheep Operations

Sheep may be raised for wool and/or meat production. Some sheep producers sell to other sheep operators for breeding stock. One animal unit is five head of ewes or rams.

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. One animal unit is six nanny or billy goats.

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. A mature horse or donkey is 1.25 animal units.

Exotic Animal 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. Animal units for various species are shown on the attached Animal Equivalency Chart.

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. Coryell 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 five 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. Native pecan trees require at least 14 trees per acre, improved pecan trees require at least 35 trees per acre, peach trees require at least 100 trees per acre.** A qualifying orchard would include a minimum of five acres.

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 & wine grapes require at least 450-600 vines per acre.** A qualifying orchard would include a minimum of five acres.

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 Coryell 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 there is an oral lease agreement, the lessee should provide a letter stating the type of Ag use, the degree of intensity (number of livestock or acres planted) and the duration of the lease.**

Ag Valuation and Beekeeping

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 a commercial value, provided that the land used is not less than 5 or more than 20 acres per the Texas Property Tax Code Section 23.51(2).

Intensity Requirement

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. If additional acreage is less than two (2) acres, no 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

History Requirement

When property owners initially qualify for agricultural appraisal they must show proof of history for agricultural use / beekeeping 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.

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.

Animal Unit Equivalency Chart

<u>Animal Type</u>	<u>Animal Unit</u>
Cow or Cow with Calf	1.00
Mature Bull	1.25
Weaned Calf to 1 Year	0.60
Steer (1 Year Old)	0.70
Horse	1.25
Miniature Horse	0.50
Donkey or Mule	1.25
Miniature Donkey or Burro	0.75
5 Ewes With or Without Lambs	1.00
4 Rams or Buck Sheep	1.00
8 Lambs (Weaned to 1 Year)	1.00
6 Nanny Goats or Does	1.00
5 Billy Goats or Bucks	1.00
10 Kid Goats (Weaned to 1 Year)	1.00
6 Mature Mutton Goats	1.00
Elk	0.60
5 Axis, Aoudad, Fallow or Mouflon	1.00
7 Sika Deer	1.00
2.5 Red Deer	1.00
1 Eland	1.00
3 Emus	1.00
2 Ostriches	1.00
7 White-tailed Deer	1.00
10 Blackbuck Antelope	1.00
3 Llamas	1.00

Administrative Procedures for 1-d-1 Ag Lands

Each January, Coryell CAD will publish public notices in local newspapers notifying taxpayers of their right to file for certain exemptions. With that notice, land owners will be notified of the availability of special valuation for qualifying agricultural lands. Applications will be available at the appraisal district offices or application forms will be available by download from the Coryell CAD website or from the Texas Comptroller website. Property owners desiring Ag valuation should file a completed application between January 1 and April 30 of the tax year. A taxpayer owning multiple parcels of contiguous land may submit a single application form identifying all of the parcels to be considered with the application. The April 30 deadline may be extended up to sixty days provided the property owner submits a written request for extension.

before May 1 showing good cause as to why an extension is needed. **Applications received after the deadline will still be accepted and considered, but if the application is approved there will be a late filing penalty imposed in the amount of 10% of the difference between the tax imposed on the property and the amount that would have been imposed at market value.**

When a completed application is received at Coryell CAD, it will immediately be date stamped then image scanned into the computer system under the Property Identification (PID) account(s) for the parcel(s) identified on the application. The application form will then be forwarded to the Chief Appraiser's designated Ag land appraiser who will examine the application for completeness. All timely filed applications will be approved or denied before May 15 or as soon thereafter as practicable. If the appraiser determines that he does not have enough information to approve the application, he may return it to the owner requesting additional information. The owner will then have an additional 30 days in which to respond. After the appraiser has a complete application with all the information he needs, he will evaluate the subject land using the four tests described above: the primary use test, the current use test, the degree of intensity test, and the time period test. Evaluation of the application may involve a field inspection of the land, examination of aerial photographs, and/or an interview with the property owner. If the land meets the criteria for all four tests, the appraiser will approve the application and will complete the required data entry to Coryell CAD's computer system and note the approval of the application in the appraiser info tab under the comments section. If the appraiser determines that the land does not meet one or more of the tests, the application will be denied, and the appraiser will notify the property owner of the denial by certified mail, detailing the reason(s) the application was not approved. If the application is denied, the property owner has the right to file a protest and have his case heard before the Appraisal Review Board. When a parcel of land has been approved for Ag valuation, the property owner need not reapply every year unless there is a change of ownership, a change of use, or the Chief Appraiser requests a new application.

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 principle types of agricultural uses. Coryell CAD has established the following land classes:
 - Dry Crop Land
 - Orchard
 - Improved Grass Land
 - Native Pasture Land

Each of the abovementioned land categories will be further subdivided into Good, Average and Fair. The sub categorization is based on the soil capability map provided by the Natural Resources Conservation Service and United States Department of Agriculture. 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.

All abstracts in Coryell County have been color coded with the corresponding soil capability class based on the predominant soil classification within the abstract boundaries. (See Appendix A)

Additional classifications or sub-classes may be added as the need arises.

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 Appraisal 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.

Wildlife Management

In 1995, Article III, Section 1-d-1 of the Texas Constitution was amended to permit agricultural appraisal for land used to manage wildlife. H.B. 1358 implemented that amendment. In 2001, H.B. 3123 was passed requiring the Texas Parks and Wildlife Department to develop and the Texas Comptroller to adopt rules for the qualification of agricultural land in wildlife management use. These rules, “Guidelines for Qualification of Agricultural Land in Wildlife Management Use”, are available at <http://comptroller.texas.gov/taxinfo/proptax/pdf/96-354.pdf>. Wildlife management is actually a type of 1-d-1 agricultural use, but there are a separate set of guidelines the landowner must meet in order to qualify. Section 23.51(7) Tax Code defines wildlife management as:

Actively using land that at the time wildlife management began was appraised as qualified open-space land under this subchapter in at least three of the following ways to propagate a sustaining breeding, migrating, or wintering population of indigenous wild animals for human use, including food, medicine, or recreation:

- (A) habitat control;
- (B) erosion control;
- (C) predator control;
- (D) providing supplemental supplies of water;
- (E) providing supplemental supplies of food;
- (F) providing shelters; and
- (G) making census counts to determine population.

The land must have been qualified for and appraised as 1-d-1 agricultural land in the tax year before the owner changes to wildlife management use. An owner who changes the use of his land from 1-d-1 agricultural activities to 1-d-1 wildlife management activities must submit a wildlife management plan to the Chief Appraiser. The plan must be completed on a Texas Parks and Wildlife (TPWD) form which is available at the Coryell CAD offices or on-line at the Texas Parks and Wildlife website. The plan must specify the wildlife species to be managed and must give details of how the land owner will actively pursue at least three of the seven management activities. The land owner may choose to contact TPWD for help in formulating a plan.

Land that qualified for 1-d-1 last year will qualify for wildlife management regardless of size unless it is tract that was part of a larger tract the previous year. In Coryell CAD, land that was part of a larger 1-d-1 tract the previous year does not qualify if it is less than 14.3 acres in size.

Once the Chief Appraiser receives the plan, signed by the owner or his agent, he must:

1. Inspect the property for compliance with the wildlife management plan.
2. Verify that wildlife management is the primary use of the land.

3. He must also assure that the degree of intensity is met. Are at least three of the seven management activities being pursued? Are there practices which will encourage long-term maintenance of the target species population?
4. Verify the historical use requirement. Was the land under 1-d-1 appraisal last year?
5. If it was part of a larger tract last year, does it meet the minimum size requirement?

The Chief Appraiser or his designee will approve the plan when he has determined that the above requirements are met. Upon approval, the Coryell CAD computer system be updated to reflect wildlife management, but the appraised value will remain the same as it would have been if the land had continued in agricultural use.

The Chief Appraiser will require annual or periodic reports showing how the wildlife management plan has been implemented for any given year. Annual reports will be requested at least once out of every three years. This will be accomplished by reviewing the date of the last annual report submitted and requesting a new report for those older than 3 years. At the end of this three year cycle, this process will be repeated. If a report is required it must be submitted on the form prescribed by TPWD (PWD-888 available on their web site or at the Appraisal District offices) and signed by the property owner or his authorized agent.

Once the Chief Appraiser receives the annual report, signed by the owner or his agent, he must:

1. Inspect the property for compliance with the annual report.
2. Verify that wildlife management is the primary use of the land.
3. He must also assure that the degree of intensity is met. Are at least three of the seven management activities being pursued? Are there practices which will encourage long-term maintenance of the target species population?

Failure of a property owner to comply with the annual report submission may result in the removal of the special valuation for wildlife management. If, as a result of the annual report, the Chief Appraiser determines that the wildlife management activity fails to meet the requirements for wildlife management valuation, the property owner will be required to reapply for the following appraisal year.