



AG MANUAL



Kimble Central Appraisal District's guidelines and requirements for agricultural (1-D-1) appraisal qualifications.

Kimble Central Appraisal
District

501 Main Street
Junction, Texas 76849

325-446-3717

www.kimblecad.org

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INTRODUCTION

In 1966 voters approved the first agricultural appraisal law for ad valorem taxes in the State of Texas. This first law, known as “1-d”, intended to protect the family farm from being taxed out of existence as Texas became more urbanized and market prices of agricultural land skyrocketed. Section 1-d is very restrictive as it applies only to land owned by families or individuals. Under 1-d, agriculture must also be the owner’s primary occupation and primary source of income. As Texas became more urbanized and the number of agricultural producers began to drop, a new section was added to the law by voters in 1978. The constitution was amended to allow a second, more liberal agricultural appraisal law known as 1-d-1. Section 1-d-1 substantially expanded eligibility for productivity appraisal by individuals as well as corporations. Income and occupation does not apply under 1-d-1. In 1996 Wildlife Management was added as a subsection of 1-d-1 to include the management of native indigenous species as a qualification of productivity value. This guideline will explain 1-d-1 agriculture appraisal, qualification and implementation. Due to the many different types of agricultural operations only the most common for the area will be covered in this guideline. Unique agricultural operations will be considered on a case by case basis.

APPRAISAL

Land designated for agricultural use is appraised at its value based on the land’s capacity to produce agricultural products. The value of land based on its capacity to produce agricultural products is determined by capitalizing the average net income the land would have yielded under prudent management from production of agricultural products during the five years preceding the current year. However, if the value of land as determined by capitalization of average net income exceeds the market value of the land as determined by other generally accepted appraisal methods, the land shall be appraised by application of the other appraisal methods. Improvements other than appurtenances to the land, the mineral estate, and all land used for residential purposes and for processing harvested agricultural products are appraised separately at market value. Riparian water rights, private roads, dams, reservoirs, water wells, canals, ditches, terraces, and similar reshaping of or additions to the soil for agricultural purposes are appurtenances to the land, and the effect of each on the value of the land for agriculture use shall be considered in appraising the land. However, in calculating average net income from land a deduction from income be allowed for an appurtenance subject to depreciation or depletion.

Qualifications

The general policy of the Kimble Central Appraisal District is in accordance with the Texas State Comptroller's qualification guidelines for agricultural use. Only those operations that are truly agricultural in nature should be considered for agricultural productivity valuation.

- The land must be utilized to the degree of intensity accepted in Kimble County. Degree of Intensity is measured by local farming & ranching practices (stocking rates, planting rates, crop rotation, fertilization methods, harvesting and marketing techniques, etc.) which are those of a typically prudent farm or ranch manager. The land must be producing a product for human or animal consumption, or for commercial trade within the agricultural economy of the State of Texas, and 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.
- Land must be managed in a typically prudent manner. Typically prudent may be measured by comparing the actual production of the subject property to the average yields of Kimble County. A prudent manager conducts his farming or ranching operation in a business-like fashion, keeping books, and records, and operates as similar businesses are operated. He uses his management ability, to operate under natural conditions, and as a business venture for profit. Property owners may actually be their own farm or ranch manager/operator, however, they must prove that they are following all the common production steps for their type of operation and putting in the typical amounts of labor, management, and investment. If the taxpayer has personal motives or engages in the agricultural activity for recreational purposes, his overall profit motives will be suspect.
- The land must be currently devoted principally to agricultural uses. Principally is defined as the most important use in comparison with other uses. Current devotion requires that land be in active agricultural use for 7-12 months of the calendar year.
- Pursuant to Section 23.51(1) of the Texas Property Tax Code, land must have been devoted principally to agricultural use for five of the preceding seven years. Land within the boundaries of a city or town must have been devoted principally to agricultural use continuously for the preceding five years. This five year use history must first be established before the special agricultural appraisal can be granted. The agricultural use history must be provided on the application to the best of the current owner's knowledge. The applicant may need to contact the previous owner, neighbor, operator, etc. The previous owner's agricultural application is a confidential document as per Section 23.45 of the Texas Property Tax Code. The **new owner** must supply the information on their application, not the appraisal district.

- The land must be a substantial tract of land. Substantial means an identifiable tract of land of adequate size to support a typically prudent agricultural operation. Effective January 1, 2010 the Agricultural Advisory Board of Kimble County determined and approved by resolution that a fair and reasonable estimate of minimum use acreage for agricultural valuation must be of adequate size to be economically feasible to farm or ranch and should be in the amount of at least 50.00 acres. Additionally, it will be necessary to provide substantial evidence use, such as described below. If you own a substantial tract of land, sell part and retain less than 50.00 acres the above will also apply. If you purchased your property after January, 2010 and your tract is less than 50.00 acres, the above will also apply.

- A landowner owning at least an undivided 50% of less than 50 acres of land and desiring to qualify for open-space land valuation may do so if the subject tract is contiguous to and operating jointly with a member of the family's real property that currently meets all criteria for open-space land valuation. A member of the family includes only:
 1. An ancestor (parent, grandparent, great-grandparent etc.) of the land owner
 2. A spouse of the landowner
 3. The lineal descendant (child, stepchild, grandchild, etc.) of the landowner, the landowner's spouse , or of a parent grandparent of the landowner or of the landowner's spouse
 4. The spouse, widow or widower of any lineal descendant described in #3 above

MINIMUM SIZE REQUIREMENT

The AG Advisory Board adopted a 50 acre minimum for AG (1-D-1) in Kimble County in 2010.

Those individuals that are working on establishing their 5 year history for AG exemption will be grandfathered because they started before the minimum acreage rule. This is contingent on their keeping and maintaining their qualifications for the exemption.

See attached minutes

INFORMATION/EVIDENCE TO SUPPORT USE:

Pursuant to *the Texas Property Tax Manual for the Appraisal of Agricultural Land* published by the Texas Comptroller of Public Accounts, to qualify land for agricultural

appraisal, the property owner must show the chief appraiser that his land meets the standard. To do so, the property owner must apply for the appraisal and the property owner must give the chief appraiser all the information he needs to determine whether the land qualifies. It may be necessary to provide substantial evidence of use, such as a written lease agreement between the owner and the operator, receipts for feed, fertilizer, proof of harvest sales, profit/loss statements, income tax returns, etc. The burden of proof of use is the responsibility of the property owner; they must show evidence that they are following all the common production steps for their type of operation and putting in the typical amounts of labor, management, and investment. The property owner must also inform the chief appraiser of any changes in the status of the land.

Sections 23.51 -23.57 of the Texas Property Tax Code directs the Texas State Comptroller of Public Accounts formerly known as the State Property Tax Board (SPTB) to develop Agricultural Appraisal Manuals for agricultural land. Section 23.52 also directs the development procedures for verifying that land qualifies for agricultural appraisal. The attached agricultural land qualification requirements are considered valid for mass appraisal purposes and can be applied uniformly throughout Kimble County. These guidelines are supported by (1) Section 183 of the IRS Regulation, (2) The Texas Property Tax Manual for the Appraisal of Agricultural Land published by the Texas Comptroller of Public Accounts, (3) The Texas Property Tax Code, (4) by the opinions of the Kimble County Agricultural Advisory Board established pursuant to Section 6.12 of the Texas Property Tax Code, and (5) data collected from the local area. It should be noted that these guidelines are to be used as a general guide for qualifying agricultural land. Exceptions to the general rule will be handled on a case by case as determined by the Chief Appraiser.

SIZE QUALIFICATIONS

Due to the wide diversity of agricultural production within the State, requirements for attaining qualified agricultural use of land center around the degree of intensity of agricultural production found to be typical for land categories in the general area. Land under agricultural production must be described to allow measurement of agricultural intensity. Therefore, degree of intensity is the central issue or standard of agricultural use qualification. Intensity of use for area is based on information from several local sources and statistical data from: Agricultural Advisory Boards, Texas Agricultural Extension Service, Texas A&M University System, Agricultural Stabilization and Conservation Service, Natural Resources Conservation Service, Farm Service Agency, Texas Agricultural Statistical Service, and the U.S. Department of Agriculture.

To achieve minimum standard of production to qualify for agricultural use give prudent management:

- Fowl and orchards, typically five to ten acres of land required.
- Irrigated cropland, typically twenty acres is required and planted to small grains
- Dry cropland, typically twenty acres of land is required and planted to small grains or hay.

- Improved Pastureland, typically twenty acres of land is required with root plowed mesquite cleared, planted in grass or hay, and utilized for grazing livestock.
- Native pastureland/ open rangeland, typically fifty acres is required and utilized for grazing livestock and exotic animals.
- Size exceptions, a small parcel of land (less than qualifying minimum size per land category) that will be assessed on an individual basis.

INCOME PRODUCED

If the land is under agricultural use, there should be sales of products. Keep in mind income production is not a requirement to qualify for 1-d-1 use. It is only a measure of the degree of the intensity. In the production land market, land values will reflect the productive capacity of soils, the availability of water, and the topographic features that influence the ability of a producer to use the land for agricultural purposes. Even though it is not a requirement, the principal factor influencing value of rural land is the income potential associated with agricultural production.

- In general, the minimum standard for qualified agricultural use is based on the production of products, which, given prudent management, generates or normally would produce gross annual receipts or income of approximately \$100 or more.
- This amount is based on the definition or standard set by the U.S. Department of Commerce, U.S. Department of Agriculture and the State of Texas of Agriculture, which defines a farm or ranch as any amount of land that produces or normally would produce annual gross receipts from the sale of agricultural products/livestock of \$1000 or more.

NOTE: If IRS "Schedule F" Tax Form or other written Documentation may be used as proof of income generated.

- Land Leased and operated must generate at least \$200 to the property owner in annual cash lease payments or rental income, and leased land must meet minimum size and degree of intensity requirements. Lessee makes improvement to land in lieu of paying lease. For example: new fence, brush control, water, etc.

PRUDENT MANAGEMENT

Prudent management means being capable of making important decisions. Specifically, land must be used and produce agricultural products as would an ordinary, typical, and prudent manager in the area of the appraisal district. A basic premise of qualifying farm and ranch land is that under agricultural use, given prudent

management, there will be agricultural products produced and sales of these products shall provide returns to the land.

Note: The agricultural use value (productivity) cannot exceed the market value, § 23.52 (a), Texas Property Tax Code.

TESTS

In addition to having qualified land in order to receive a 1-d-1 productivity use value, the agricultural operation must pass four separate tests. These tests are the herd size test, the intensity of use test, and the time period test. These tests are explained next.

HERD SIZE TEST

It has been determined that all operations pertaining to grazing of the land including horse breeding operations and wildlife management in Kimble County will have a typical herd size of at least four animal units. This means that the land being utilized by the herd must be able to sustain at least four animal units year round without hay supplement. A stocking rate chart for the classes or types of land in Kimble County is found on page 13 of this guideline.

CURRENT USE TEST

The land must be in agriculture use as of January 1 of the tax year or planned to be used for agricultural purposes very soon for one or more of the agricultural purposes which follow the different types of agricultural operations described in this guideline. This must follow what is typical for the area for the type of agricultural operation taking place on the property. This use must be the lands primary use and not a secondary use.

INTENSITY OF USE TEST

The land must be used to the degree of intensity that is typical for that type of operation in the area. If the land is not used as other land is typically used, then this type of agricultural use is said to be "token" agricultural use. For instance; if a field is plowed and planted once every three years and the other farmers in the area typically plow and plant the same type of crop every year, then this use is token use. This land would not qualify under the intensity of use qualifier.

TIME PERIOD TEST

According to state law, the land must have been used for five out of the previous seven years for agricultural production. As long as agriculture was the principle use in the preceding years, the land qualifies even if that use did not meet the degree of intensity requirement in all or some of those years. For example; if applying for 1-d-1 productivity use value for the 2009 tax year a property was used for agriculture in 2008, 2007 and not for 2006, then again in 2005, and 2004, and again was not used in 2003 and was used for agriculture in 2002, the land would pass the time period test. 2009 or the current tax year is not used in the time test and lapses of two years during the seven previous years are allowed.

LIVESTOCK/STOCKING RATES

BEEF: Cattle operation on Improved Pasture: 1 animal unit (1,000 lbs) per 7-10 acres of productive land mass.

Cattle operation on Native Pasture: 1 animal unit (1,000 lbs) per 30-40 acres of productive land mass.

COW/CALF: Raising beef for sale to either processors or other operators as breeding stock. These include purebred operations, as well as, commercial breeders who sell calves to the local livestock markets. Typical requirements include at least 5 cows of breeding age that are bred annually.

STOCK/FEEDER: Raising beef for processors. This operation involves acquiring calves at a certain weight from cow/calf operators or the livestock auction and raising the calves until they reach slaughter weight. Both heifer and steer calves may be found in these types of operations.

SHEEP/GOAT: Sheep/goat operation: 5-6 animals per 30-40 acres of productive land mass, 10 animals minimum.

SHEEP: Can provide two by-products, wool and meat. A commercial operation would not require any particular breed and may be in the business of meat production only. Purebred operations are normally primarily in the business of producing wool, meat or animals to sell to other producers as breeding stock. A typical flock consists of at least 15 head of ewes and 1 ram.

GOATS: Can provide three by-products, mohair, meat & dairy. Typical mohair production is limited to the Angora breed; all other breeds are involved in the production of meat (cabrito or young kid goat). Goats also may produce dairy by-products as a secondary use. A typical herd of goats consists of at least 25 head of does and one buck.

HORSES: Horses operation on pasture: 1 animal unit (1,000 lbs) per 45 acres of productive land mass plus supplemental feed. This includes horses, donkeys and mules. The by-products are colts and fillies. This operation involves having brood mares and either a stud (stallion) on location or using an artificial insemination service for breeding. At least 3 head of breeding age mares are required to be considered a typical horse breeding operation. Supplemental feeding is a given fact of a breeding horse operation. Breeding associations have suggested that a minimum amount of acres for a typical breeder is in the fifteen to twenty acre range in order to support a breeding operation. Horse breeding, raising and being sold to the public qualify for agricultural use. Horses stabled and/or used strictly for pets or recreational purposes do not qualify for agricultural use. When qualifying for agricultural land based on horse activity it will be necessary to provide evidence of use.

AGRICULTURAL LAND USE CATEGORIES:

Irrigated Crop_– cultivated and planted to annual crops that are watered on a regular basis.

Dryland Crop - Planted, in row broadcast crops, not watered, that are grown for sale or used for feed for livestock.

Orchard_– Trees planted in an orchard setting for the specific purpose of producing fruit and/or nut crops for commercial sale. An example of the degree of intensity accepted would be at least 14 producing, native trees per acre or 35 producing, improved trees per acre.

Native Pasture- Partially cleared of brush and trees with natural grasses growing on the land with no enhancements used for grazing of domestic livestock. Some examples of native grasses include, Meadow Dropseed, Annual Threelawn, Longspike, Tridens, Little Bluestem, Switchgrass, Indian Grass, Big Bluestems, Sideoats, Gama, Buffalo grass, Texas Wintergrass, Paspalams, Panciums, & White Tridens.

Improved Pasture – Perennial grasses, Bluestem, Kline, Bermuda, Johnson Grass, Crabgrass, Fescue, Dallisgrass, Bahia Grass, Ryegrass, Wheat, Oats, Rye, etc. that are seeded or sprigged and that is baled and/or grazed by domestic livestock. Some examples of native grasses include Meadow Dropseed, Annual Threelawn, Longspike Tridens, Little Bluestem, Switchgrass, Indian Grass, Big Bluestems, Sideoats Gama, Buffalograss, Texas Wintergrass, Paspalams, Panciums, & White Tridens.

Minimal Use – Heavy brush and trees that restrict, but still allow the livestock grazing capacity of the land. Will not support any type of crop. Can only be applied in conjunction with another land class.

Wasteland – Extremely poor quality due to erosion or soil type. Severely restricted in its ability to support domestic livestock. Must be an integral part of one or more of the land types listed above.

CRP (Conservation Reserve Program) is a program where the property owner has a long term contract with the federal government. Addition information is available through the Natural Resources Conservation Service and the Farm Service Agency.

Timber Production - Timber that is actually harvested and milled on a commercial basis for the production of commercial products (i.e.: commercial lumber, paper products, etc.) Does not include firewood or wood used for fencing.

Wildlife Management - Can only be applied to land which qualifies and is already receiving 1-d-1 Open Space Agricultural Valuation. Must provide a formal recommendation from a regulatory wildlife biologist (Wildlife Management Plan) and implement such recommendations. The Texas Property Tax Code, Section 23.51(7) defines wildlife use day actively using land in at least three of the following ways to breed and sustain migrating, wintering [population of indigenous wild animals: habitat control; erosion control, predator control, providing supplemental supplies of water, providing supplemental supplies of food, providing shelter and making of census counts to determine population. Additional information can be found through the Texas Parks and Wildlife Department.

ANIMAL UNIT EQUIVALENCY CHART

ANIMAL TYPE ANIMAL UNIT (AU)

Cow or Cow & Calf 1.00 (AU)
Mature Bull 1.25 (AU)
Weaned Calf to one Year 0.60 (AU)
Steer one Year Old 0.70 (AU)
Steer two Years Old 0.90 (AU)
Horse 1.25 (AU)
Miniature Horse 0.50 (AU)
Donkey or Mule 1.25 (AU)
Burro 0.75 (AU)
5 Ewes with or without Lambs 1.00 (AU)
4 Rams or Buck Sheep 1.00 (AU)
8 Lambs Weaned to 1 Year 1.00 (AU)
6 Nanny Goats or Does with Kids 1.00 (AU)
5 Billy or Buck Goats 1.00 (AU)
10 Kid Goats Weaned to 1 Year 1.00 (AU)
6 Mature Mutton Goats 1.00 (AU)
5 Axis, Aoudad, Fallow, or Mouflon 1.00 (AU)
9 Blackbuck Antelope 1.00 (AU)
7 Sika Deer 1.00 (AU)
2.5 Red Deer 1.00 (AU)
1 Eland 1.00 (AU)
3 Emus 1.00 (AU)
2 Ostriches 1.00 (AU)
7 Whitetail Deer 1.00 (AU)

STOCKING RATE CHART AVERAGES

LAND TYPE STOCKING RATE

Cropland Grazing Sorghum Hay 1 Animal Unit to 8 Acres

Improved Grasses 1 Animal Unit to 8 Acres

Native Pasture (no brush) 1 Animal Unit to 30 Acres

Native Pasture (with Brush) 1 Animal Unit to 35-40 Acres

These stocking ratios may be adjusted if land type overlap or soil types dictate a modification. These ratios are based on a typical rainfall year for the area.

KIMBLE COUNTY LAND CATEGORIES

IMPROVED PASTURES CATEGORIES

<u>CODE</u>	<u>DESCRIPTION</u>
L51 (AG-RNG)	Improved pasture is described as being land that has been planted in improved grasses. These lands have been typically planted one time and are not annually maintained (fertilized, burned, etc...), and may have some growth of other bushy vegetation.
L61 (AG-RNA)	Native Pasture Average is described as being the most typical pastureland category in Kimble County. This category typically has moderate to shallow soils, native to some improved grasses, some cedar, gentle to moderate slope, and a typical animal unit carrying capacity of one unit to 30 acres.
L65 (AG-RNL)	Improved pasture low is described as being land that typically has shallow soils, native grasses, gentle to severe slope, an influx of cedar and has a low animal carry.
L65S (AG-RNS)	Native pasture good is described as having deep to moderate soils, little or no cedar, level to gently sloping terrain. This often applies to small acreage within subdivisions where the degree of intensity is high and net to land is higher.

CROP CATEGORIES

<u>CODE</u>	<u>DESCRIPTION</u>
L41 (AG-ORCM)	Mature orchard is described as being orchard land devoted nut or fruit production. The orchard is typically planted in rows, can be irrigated and is typically kept free of weeds and dead trees. This category is typically a professional orchard that depends on production and harvest each year.

L45 (AG-ORCI)

Immature Orchard is described as being orchard land devoted to nut and fruit production. Any true orchard is typically planted in rows, and is typically kept free of weeds by chemical or mechanical means. This category can be a non-professional orchard or one that is in a state of decline. This category can also apply, in some instances, to native pecan groves located on deep soils.

CROPLAND CATEGORIES

CODE

DESCRIPTION

L21 (AG-RCP)

Tillable dryland is described as being average field land. This category can be found anywhere in the county, and is typically double cropped each year for winter grains for grazing and summer hay production. Slopes are typically flat to moderately sloping.

L25 (AG-RCI)

Irrigated cropland is described as being any cropland that is actively irrigated from river, ponds or wells. This category includes all soil types, as long as it is irrigated.

LOCAL LAND TABLES

CATEGORY D –AG LAND TABLES

AG-RNL	AG USE-RANGE NATIVE LOW
AG-RNA	AG USE-RANGE NATIVE AVERAGE
AG-RNS	AG USE-RANGE NATIVE HIGH INTENSITY
AG-RNG	AG USE-RANGE NATIVE GOOD

An exception to this is land converted to wildlife management.

AG-WRNL	AG USE-WILDLIFE LOW
AG-WRNA	AG USE-WILDLIFE AVERAGE
AG-WRNS	AG USE-WILDLIFE HIGHT INTENSITY
AG-WRNG	AG USE-WILDLIFE GOOD

LOCAL INTENSITY

ANIMAL UNITS

ACRES

CATTLE	1 COW/1BULL	30
GOATS	6 GOATS	30
SHEEP	5 SHEEP	30

LOCAL SIZE LIMIT

Although the property code does not limit the size of property to qualify for 1-d-1, Kimble CAD will examine property under 50 acres closely to determine that the property does not fall into the “hobby” use or use to avoid taxation at market value.

AG LAND TABLES

CATEGORY D

<u>CODE</u>	<u>DESCRIPTON</u>	<u>CODE</u>
L65	UPLAND-NATIVE PASTURE LOW	AG-RNL AG-WRNL
L65S	RANGE NATIVE-INTENSE	AG-RNS AG-WRNS
L61	BOTTOM-NATIVE PASTURE AVE	AG-RNA AG-WRNA
L51	IMPROVED-NATIVE PASTURE GOOD	AG-RNG AG-WRNG
L41	IMMATURE ORCHARDS	AG-ORCI AG-WORCI
L45	MATURE ORCHARDS	AG-ORCM AG-WORCM
L21	CULTIVATED CROPLAND	AG-RCP AG-WRCP
L25	IRRIGATED CROPLAND	AG-RCI AG-WRCI

APPLICATION PROCESS:

According to Section 23.54 (a) of the Texas Property Tax Code, a person claiming that his land is eligible for agricultural appraisal must file a valid application with the Chief Appraiser. Additionally, under Section 37.10, Texas Penal Code, if you make a false statement on this application, you could receive a jail term of up to 1 year and a fine of up to \$2,000, or a prison term of 2 to 10 years and a fine of up to \$5,000.

Property is not eligible if owned by a nonresident alien or by a foreign government, corporation, partnership, trust or other legal entity in which a non resident or foreign government owns a majority interest.

A property owner must apply for agricultural appraisal by completing an application for 1-d-1) open space) agricultural appraisal before the deadline of midnight, April 30th.

You may file a later application up to midnight of the day before the appraisal review board approves the appraisal records for the year. Approval usually occurs in July. If you do not file a later application and your application is approved, you may pay a penalty equal to 10% of the tax savings resulting from agricultural appraisal.

The Chief Appraiser must act on each application by processing the application and granting the special appraisal or by notifying the property owner if he denies the application or needs additional information.

Per Section 23.54(e) if a person fails to file a valid application on time, the land is ineligible for agricultural appraisal for that year.

If additional information is requested, the property owner has 30 days to supply the request. If the property owner does not respond to the request for information upon the 31st day the special appraisal is considered to be denied.

A property owner may appeal a denial to the appraisal review board at a formal hearing by filing a written protest within 30 days of the denial notice.

Agricultural valuation will be applied to the land only and appurtenances such as fencing, ponds, roads, etc. Land beneath farm buildings and other agricultural improvements do qualify. However, the agricultural appraisal cannot be applied to the improvement itself, farm equipment, etc.

If the agricultural appraisal is granted, you will not need to re-file each year. However, if property is sold/purchased, it will be necessary for the new owner to make new application and qualify for the agricultural appraisal. Additionally, the Chief Appraiser may require any person allowed this special valuation to make new application to confirm that the land is currently eligible.

Procedure for data collection on evaluation on AG valuation

Ag surveys are sent out in September/October of each year. A random sample is sent by acreages of 200-500 and 500+ acres.

Reports from the NRCS (Natural Resources Conservation Service) are required for the year. We also send surveys to fencing, water well and brush control contractors and individuals to get the current process for these services. All of the information is used to calculate the open space land valuation.

Determining Net to Land Values for Ag Property

Per §23.51 (3), (4), (5) of the Property Tax Code

Net to land is the average annual net income that a class of land would be likely to have generated over the five-year base period preceding the year before the appraisal. Until 1987, appraisers based net to land primarily on owner-operator budgets. The law now requires appraisers to determine net to land using a cash or share lease method.

Under a lease method, net to land is the rent (lease) that would be due to the property owner, under a cash lease, share lease or other typical lease arrangement, less the expenses typically paid by the owner. In a cash lease, the rent is a fixed amount in a share lease; the rent is a share of the gross receipts for the year, less a share of certain expenses.

The cash lease in the terms of dollars per acre for a period of one year is determined. If the prudent owners do pay some expenses, the appraiser deducts them from the lease payments to determine the net to land.

Example:

Class of Land	Gross Lease	Less Typical Expenses	Net to Land
<i>Native Pasture Low</i>	\$5.00	\$1.69	\$3.31
<i>Native Pasture Average</i>	\$6.00	\$2.44	\$4.66
<i>Native pasture Improved</i>	\$9.00	\$2.21	\$6.79
<i>Cultivated Land</i>	\$7.50	\$1.44	\$6.06

Income Capitalization means the process of dividing net to land by the Capitalization rate to determine the appraised value.

Per section 23.53 of the Code, the Capitalization rate to be used in determining the appraised value of qualified open space land as provided by this sub section is 10% or

the interest rate specified by the Farm Credit Bank of Texas or its successor on December 31 of the preceding year plus 2 ½ percentage points, whichever is greater.

ROLLBACK:

The law imposes a rollback tax on 1-d-1 when it is taken out of agricultural use. A property owner can trigger the rollback by ending agricultural operations or diverting the property to a non-agricultural use such as a commercial use or platting into a subdivision, etc. The rollback tax equals the difference between the taxes the owner actually paid in the five years preceding the change in the use and the taxes the owner would have paid on the property's market value, plus interest at an annual rate of seven percent. The tax is imposed on the date the cessation or change of use occurs. Additional rollback information may be obtained from the Kimble Central Appraisal District.

When a rollback tax is initiated, the land is taxed on the difference between its productivity value and what it would have been taxed at its market value. For example, the rollback tax on one acre of land for one year would be calculated as follows:

1 Acre Mkt Value @ \$500 minus 1 Acre Ag Value @ \$50
= Value Difference of \$450 divide by 100 X \$2.00 Tax Rate
Rollback Tax = \$9.00 X 5 years = \$45.00 per acre.

If the value difference and tax rate for all five years of the rollback period were the same, the total rollback tax for one acre of land would equal \$45.00. If a tract had more acres and this rollback tax applied to 25 acres, the total rollback tax on the 25 acres would be \$1,125 + (7% per annum interest). This is a substantial amount of rollback tax. When applying for 1-d-1 productivity use, landowners need to be aware that if the use of the 1-d-1 productivity land changes to a non-agricultural use they could incur a large rollback tax bill.

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.

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KIMBLE CENTRAL APPRAISAL DISTRICT

501 Main Street, Junction, Texas 76849

Telephone (325) 446-2357

Fax (325) 446-4361

www.kimblecad.org

www.trueautomation.com

This information is a brief explanation of the requirements/qualifications of obtaining the 1-d-1 (open-space) agricultural appraisal. Should you need further information, please feel free to contact our office, Monday – Friday, 8:00am to 5:00pm for additional information or clarification. Or you may access the website for the Texas State Comptroller at www.window.state.tx.us for information and/or forms.

THE STATE OF TEXAS
COUNTY OF KIMBLE

The Agricultural Advisory Board of the Kimble Central Appraisal District met on this the _____ day of _____ 2012 with a quorum present. After review of the foregoing Guidelines and Requirements for Agricultural Appraisal Qualification, a motion was made to recommend this as the policy of the Kimble Central Appraisal District's Agricultural Advisory Committee with the approval of the Kimble Central Appraisal District board of directors.

Chair

Secretary

Adopted April 26, 2012.