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SAN SABA COUNTY CENTRAL APPRAISAL DISTRICT AGRICULTURAL VALUATION AND GUIDELINES

INTRODUCTION

Agricultural valuation is a special appraisal for land that is devoted primarily to commercial agricultural production. This special valuation only applies if the land meets specific requirements defining farm and ranch use. Agriculture or productivity value is based on the land's capacity to produce food, feed, seed or fiber instead of the land's real estate value. 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 steadily rose. Section 1-d is very restrictive as it applies only to land owned by families or individuals. Under 1-d, agriculture must 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 Texas Constitution in 1978. The law was amended to allow a second, more liberal agricultural appraisal law known as 1-d-1. In 1996, Wildlife Management Use was added as a subsection of 1-d-1 which allows the management of native species, using state guidelines, as a qualification for productivity value.

Section 23.51 of the Property Tax Code sets the standard for determining whether the land qualifies for an agriculture 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 production of timber or forest products for five years of the preceding seven years."

The principal use of the land must be agricultural. If the land is used for more than one purpose, the primary use must be agricultural. Generally, small acreage tracts of twenty (20) acres or less, with a residence, will be considered principally residential.

Although this lower value reduces the taxes of the property, a "rollback" of these taxes will take place when the land stops being used for an agricultural purpose. The rollback recaptures, with interest, the taxes saved for the five (5) years preceding the change in use. Because of the penalty, this valuation is of questionable benefit if your usage is short term or if you have plans to develop the tract within the next six (6) years.

The practices described in the manual are typical of San Saba County. However, deviations from the practices described are not necessarily excluded from agricultural appraisal if they meet normal standards impacted by climate, topography, soil type and other environmental factors common to San Saba County. The chief appraiser considers each case on an individual basis.

QUALIFICATION STANDARDS

1. Improvements

- a. Agricultural appraisals apply only to the land and not to improvements on the land, minerals or agricultural products.
- b. The land beneath farm buildings and other agricultural improvements does not qualify due to its use in connection with the agricultural process.

2. Products of Agricultural Operations – Products in the hand of the producer are generally exempt from taxation. Farm and ranch equipment used primarily for agricultural/husbandry are also exempt.

3. Appurtenances – Appurtenances to the land ie. canals, water wells, roads, stock tanks and other similar reshaping of the soil are included in the value of the land and not appraised separately.

4. Qualifying Activities – This list is to be used as a guide and may not include or exclude all qualifying activities.

- a. Cultivating the soil
- b. Production of crops for human consumption, animal feed or production of fibers
- c. Cultivation of ornamental and flowering plants
- d. Cultivation of grapes
- e. Cultivation of fruits, vegetables, flowers, herbs or other plants
- f. Raising livestock such as meat or dairy cattle, horses, goats, swine, poultry and sheep
- g. Raising exotic game for commercial use
- h. Participation in a government program and normal crop rotation. Land left idle to participate in a governmental program is considered in use for agriculture. Land left idle for crop rotation qualifies until left idle for longer than the typical time period.

5. Non-Qualifying Activities – This list is to be used as a guide and may not include or exclude all non-qualifying activities.

- a. Harvesting native plants or wildlife
- b. Processing plants or animals – Processing constitutes any activity that takes place after the crop or animal has been raised and harvested and any activity a non-producer carries out on agricultural products. Processing begins at the first level of trade beyond production. Processing begins when activities occur that enhance the value of primary agricultural products.
- c. Raising of crops or livestock for other than commercial use

6. Primary and Current Devotion to Agricultural Use

- a. Primary use – The land must be devoted principally to an agricultural use. If more than one use is occurring, the primary use must be agricultural.
- b. Non-Primary uses would include:
 1. Pleasure gardening
 2. Exotic game primarily used for hunting
 3. Land used primarily to train, show or race horses, to ride horses for recreation, or to keep or use horses in some manner that is not strictly incidental to breeding or raising horses.
- c. Current Devotion – The land must be currently devoted to agricultural use and must qualify on January 1.

7. **Degree of Intensity** – The degree of intensity test measures whether the land is being farmed or ranched to the extent typical for agricultural operations. This test is intended to exclude land on which token agricultural use occurs in an effort to obtain tax relief. These intensity listings are to be used as a guideline to ensure the equitable valuation of agricultural use on land in San Saba County. These guidelines have been developed using information provided by the San Saba County Extension Office, Natural Resource Conservation Service and the Tax Appraisal District of San Saba County Agricultural Board and information obtained through landowner surveys.

- a. Land Classification – Degrees of intensity may vary from one geographic area to another. Terrain, soil type, brush canopy and water levels are just a few of the conditions that could affect what constitutes a minimal level of intensity. See *Table 1*.

Table 1 – San Saba County Land Classifications

<u>LAND TYPE</u>	<u>LAND CLASS</u>	<u>DESCRIPTION</u>
Native Pasture	A1D1	Range Land
Improved Pasture	A2D1	Improved Grasses
Dry Land Farm	A2AD3	Tillable Dry Land
Irrigated Farm	A2BD3	Watered Crop
Fruit Orchard	A3AD3	Dry Land Fruit,
Fruit Orchard	A4AD3	Irrigated Fruit,
Native Pecans	A3D1	Un-improved pecans
Dry Land Pecans	A3D3	No Irrigation
Irrigated Pecans	A4D3	Irrigated
Wildlife Pasture	AWL	Improved & Un-improved I

- b. Livestock – Levels of intensity for livestock are listed as animal units. These units are based on consumption levels for the different classes of livestock. See *Table 2*. These units are applied according to the geographic area to determine how many head of a given class of livestock is needed to meet the minimal qualification requirement. See *Table 3*.

Table 2 – Animal Unit Equivalency Chart

<u>ANIMAL TYPE</u>	<u>ANIMAL UNITS</u>
Mature Cow and Calf	1.00
Mature Bull	1.35
Mature Horse, Donkey, Mule	1.25
Miniature Horse, Donkey, Mule	.50
5 Ewes	1.00
4 Rams or Buck Sheep	1.00
8 Lambs – weaned to 1 yr. old	1.00
6 Nanny Goats	1.00
5 Billy Goats	1.00
10 Kid Goats – weaned to 1 yr. old	1.00
6 Mature Mutton Goats	1.00

Table 3 – Minimum Animal Units Based on Land Type

<u>LAND TYPE</u>	<u>UNITS PER ACRE</u>
Native Pasture	1 unit per 20 acres
Improved Pasture	1 unit per 10 acres

The San Saba County Central Appraisal District has determined a commercial livestock operation must consist of four (4) animal units to be considered for special evaluation or the land must be actively producing in conjunction with a larger livestock operation that meets or exceeds the minimum number of animal units. If the land is functioning as a portion of a larger livestock operation, the land owner applying for the special evaluation will provide the San Saba County Central Appraisal District either a written lease or a statement signed and dated by the lessee containing the extent and duration of the lease. It will be the landowner's responsibility to keep the appraisal district updated of any changes in the lease agreement including any renewals, subleases, terminations or new lessee. Lease agreements will be reviewed by the Chief Appraiser to determine if the leases are typical to San Saba County.

TYPICAL GRAZING OPERATIONS

Cow/Calf

This operation raises beef for sale to either stockers, feeders, processors or other operators as breeding stock. These can have purebred or commercial stock. Some small operations may lease a bull or artificially inseminate their cows rather than keeping a bull full time. The perimeter must be permanently fenced. One strand electric wire is not acceptable. A typical fence for permanent pasture is either six strand barbwire or net wire with barbwire on top.

Stocker/Feeder

This operation raises beef for processors or feedlots. It involves acquiring calves typically weaned, less than one year old, from cow and calf operations or the livestock auction and raising the calves until they grow large enough for the feedlot, slaughter or replacement heifers. Both heifers and steer are found in this type of operations. This also requires proper fencing. A typical fence for permanent pasture is either six strand barbwire or net wire with barbwire on top.

Sheep

This type of operation produces wool and meat. It can be either purebred or commercial. Proper fencing is required. A typical fence for permanent pasture is either eight strand barbwire or net wire with barbwire on top.

Goats

This operation produces meat, fiber and/or milk. Typical fiber production is usually limited to Angora goats, although there also are cashmere goats. Dairy breeds are typically involved in milk production. Most other breeds of goats (including Spanish and Boer) are for meat production. Some purebred owners provide replacement stock to other producers for breeding. Again, proper fencing is required. A typical fence for permanent pasture is either eight strand barbwire or net wire with barbwire on top.

Equine

All equine operations must be for breeding to be considered agricultural use. A breeding operation involves having brood mares and either a stud on location or the use of artificial insemination for breeding. Any breed of horses, donkeys, or other equine may be included. Land used primarily to train, show or race horses, to ride horses for recreation or to keep and use horses in some other manner that is not strictly incidental to breeding or raising horses does not qualify. Supplemental feeding is a given fact of a breeding horse operation. Typical fences will not have barbwire, but have smooth wire or rail. Breeding associations have suggested that a minimum amount of acreage for typical breeder is fifteen to twenty acres.

Exotic Animals

This involves the raising of non-native animals not listed in preceding sections. Exotic animal producers raise the animals (including exotic deer, antelope and ratites) for meat or other commercially viable products such as leather, feathers or byproducts used in cosmetics or medicine. Some exotic animal operations produce breeding stock for other exotic operations. Proof of commercial use is required to qualify for agriculture use valuation with exotic animals. Hunting is not considered a commercial product of exotics – it is considered a recreational activity. This type of operation, depending on the species of animal, usually requires a “deer-proof” high fence. Usually a management program is in place to closely monitor animal numbers. Animal unit equivalents for exotics are described in *Table 3*.

Wildlife Management

Wildlife management is the latest major change to occur in agriculture use qualifications in recent history. The first criterion of wildlife management use is that the land must currently be under agricultural use evaluation to be eligible for wildlife management use. Second, the landowner must be actively using the land at the time the wildlife management begins. The land can be appraised as qualified open-space land if at least three of the following ways are used to propagate a sustaining breeding, migrating, or wintering populations of indigenous wild animals for human use, including food, medicine or recreation:

1. habitat control
2. erosion control
3. predator control
4. provision of supplemental supplies of water
5. provision of supplemental supplies of food
6. provision of shelters
7. making census counts to determine population

Additional information is also required when a land owner is attempting to qualify their land under wildlife management use. In addition to the 1-d-1 agricultural use application, a state wildlife management plan (state for PWD 885-W7000) must be submitted annually. A minimum of twenty acres is necessary to qualify. The Texas Parks & Wildlife Department website can provide the guidelines and state forms for wildlife management. (www.tpwe.state.tx.us/conserves/private-land/agricultral-land)

Cropland

Cropland in San Saba County usually is one of three categories: row crops, pasture land, or orchards/vineyards. Typically row crops would involve raising wheat, oats, or hay grazer. Pasture land would include native and improved grasses such as Bermuda or Klein grass used for grazing or hay production. Vineyards and orchards are used for the production of grapes and pecans.

TYPICAL CROPLAND MANAGEMENT PRACTICES

Production of Grain Sorghum and Other Row Crops

1. Minimum ten (10) acres
2. Land must be free of brush
3. Deep broke, chiseled and /or plowed three times
4. Apply fertilizer according to soil test or typical for area
5. Apply herbicides and pesticides as needed
6. Plant
7. Cultivate
8. Must try to harvest average county yield
9. Shred and/or disk to destroy stalks and form a mulch

Production of Wheat , Oats, Hay Grazer, etc.

1. Minimum of ten(10) acres
2. Land preparation – chisel or plow
3. Fertilize according to soil test or typical for area
4. Apply herbicide and pesticides as needed
5. If harvested, must try to harvest average county yield
6. If grazed, must support 1 animal unit per 1 ½ acre

Organic Farming

1. Minimum three (3) acres
2. Organic gardening should be State Certified by Texas Department of Agricultural
3. Land preparation – 1 acre minimum plowed and turned
4. Weeds and insect controlled
5. Organic accepted fertilizers
6. Managed and harvested for commercial use

Orchards – Fruit or Pecan

1. Minimum five (5) acres
2. Minimum density: Pecan trees – 14 trees per acre; Fruit trees – 70 trees per acre
3. Managed to maximize fruit production sales
4. Spraying as recommended by Texas Agricultural Extension Service
5. Drip or some other means of adequate irrigation for establishment
6. Mechanical or chemical weed control
7. Harvesting techniques to maximize yields for commercial sales

Truck Farming

1. Minimum three (3) acres
2. Soil must be cultivated
3. Drip or some other means of adequate irrigation
4. Weeds and insects controlled
5. Proper fertilization
6. Managed and harvested to maximize yields for commercial sales

Coastal Bermuda and Other Improved Grasses

1. Minimum ten (10) acres
2. Weeds and insects controlled
3. Fertilized according to soil test or typical to area
4. Cutting and baling: Dry land – minimum 2 times per year; Irrigated – minimum 3 times per year
5. If cut less than minimum, should be used for grazing for remaining growing season
6. Minimum yield: 1 ½ tons per acre

Vineyards

1. Minimum five (5) acres
2. Minimum density – 680 vines per acre
3. Weeds and insects controlled
4. Fertilized according to soil test or typical for area
5. Drip or some means of adequate irrigation
6. Managed and harvested to maximize yields for commercial sales

Government Programs – Currently, the only program that will qualify for 1-d-1 productivity valuation is conservation Reserve Program (CRP). Other governmental programs, such as brush or cedar control and crop subsidies, are normal and prudent ranch management practices and those programs will not qualify the land for agriculture evaluation.

Time Period Test – The land must have been used principally for agricultural production for any five of the preceding seven years.

Ineligibility – Some land is automatically ineligible for qualification.

1. Land located within the boundaries of a city or town. Land located within a city must meet one of the following criteria to be considered for qualification:
 - a. The city must not provide the land with general services comparable to those provided in other parts of the city
 - b. The land must have been devoted principally to agricultural use continuously for the preceding five (5) years
2. Land owned by a non-resident alien or foreign government – If the property owner is a non-resident alien, the land cannot qualify. A corporation can't qualify its land if non-resident aliens, foreign government or both control the organization.
3. Land which 1-d-1 appraisal is waived – An owner may waive his right to 1-d-1 appraisal. A 1-d-1 waiver is effective for twenty-five years and applies to the land even if ownership changes.

APPLICATION

A property owner must file a valid application form with the chief appraiser in the appraisal district where the land is located. Taxpayers whose land is appraised by more than one appraisal district must file an application in each district.

1. **Filing Deadline** – The deadline for applications is before May 1st. For good cause, and only on the property owner's request, can the chief appraiser extend the filing deadline in individual cases for not more than a 60 days. An extension must be requested before the May 1st deadline. Good cause is commonly something the applicant cannot control, such as illness or injury.
2. **Late Applications** – The property owner may file a late application until the appraisal review board approves the records. However, there is a penalty for late applications. An application filed after April 30th is subject to a penalty equal to ten percent (10%) of the difference between the tax imposed at market value and tax imposed at the agricultural productivity value. If the chief appraiser has extended the deadline for that property owner, this penalty does not apply.

3. **Failure to File the Application Form** – If a person does not file a valid application before the appraisal review board approves the roll, the land is ineligible for an agricultural appraisal in the tax year.
4. **One-Time Application** – Once a 1-d-1 application has been filed and approved, the land continues to receive agricultural appraisal every year without new application unless the ownership changes, the land eligibilities change, or the chief appraiser requires a new application.
5. **Notification of Changes** – The property owner must notify the appraisal district in writing before the next May 1st if the land's ownership, eligibility or use-type changes.
6. **Application Denial** – If the chief appraiser denies an application, he must deliver a notice of the denial to the applicant. The notice must contain a brief explanation of the procedures for protesting the denial to the appraisal review board.
7. **Summary of the Application Process**
 - a. The land owner must give the chief appraiser any and all information he needs to determine if the land qualifies for agricultural valuation.
 - b. An application must be filed in every appraisal district where the land is located.
 - c. One application may be filed for numerous parcels of land.
 - d. The deadline for filing is April 1st.
 - e. The chief appraiser may extend the deadline for 60 days for good cause if requested by the landowner prior to April 30th. Good cause is generally a reason outside the control of the taxpayer.
 - f. Late applications may be filed anytime prior to the appraisal review board approving the roll. Late applications are subject to penalty.
 - g. Failure to file an application results in the land being ineligible for that tax year.
 - h. Once approved, no other application is necessary unless the chief appraiser requests one, the ownership changes or changes occur in the status of the property.
 - i. If the property erroneously receives agricultural value, it is subject to back assessment and penalty.
 - j. Failure to notify the appraisal district of a change in use subjects the property to penalty but not back assessment.
 - k. The chief appraiser must approve or deny all timely filed applications By May 15th.
 - l. The chief appraiser must notify the applicant in writing of his denial and include a brief description of the protest process to the appraisal review board.

ROLLBACK PROCEDURES

A rollback tax will be imposed on 1-d-1 property when the owner changes its use to other than agricultural production. This tax recaptures the taxes the owner would have paid had his property been taxed at market value for each year covered by the rollback. The tax equals the difference between the taxes the owner actually paid in the five years preceding the change in use and the taxes the owner would have paid on his property's market value, plus the statutory interest. The property owner causes the rollback by diverting the property to a non-agricultural use. Selling the property will not trigger the rollback. If a portion of the property is diverted to a non-agricultural use, the roll back only applies to the changed portion. The chief appraiser will send the owner written notice of the determination or if the appraisal review board decides that a change of use has occurred, a tax bill will be created to include the amount of tax and interest due.

1. Change of Use Qualifications that Cause a Rollback

- a. **Physical Change** – A physical change from agricultural to non-agricultural use resulting from the owner's free will.
- b. **Subdivision of Property** – The physical acts of subdividing property to sell as non-qualifying tracts of land such as the cutting of roads or the installation of utilities.
- c. **Restrictions** – The placing of restrictions that limit the use to non-agricultural resulting from the free will of the owner.

2. Change of Use Qualifications that Do Not Cause Rollback

- a. **Reduction in Intensity** – The lowering of the level of intensity below the qualified level by agricultural necessity, but continued agricultural use.
- b. **Condemnation and Other Public Uses** – Property condemned or sold for right of way. Property deeded to a political subdivision for non-right of way use (i.e. retention water facilities, parks, etc.) will not be included in the rollback calculations.
- c. **Waiver** – Filing a waiver from special appraisal.
- d. **Homestead** – Filing of homestead on a portion of qualified land or the building of a residence for the owner. If said residence is sold, a rollback may be applied.
- e. **Exempted** – Other properties listed in the Texas Property Tax Code Section 23.55 (f).

3. Rollback Calculations

- a. The 1-d-1 rollback covers the five calendar years preceding the current year. If the use changes in 2007, the rollback covers 2006, 2005, 2004, 2003 and 2002. The preceding years are based on the use from January through December and not on the tax collection periods. The rollback tax itself is the difference between the taxes paid under the special appraisal and the total taxes that would have been paid on the market value of the land. For example:

Year	Tax Paid	Tax on Market Value	Difference
2006	\$50	\$500	\$450
2005	\$50	\$520	\$470
2004	\$50	\$500	\$450
2003	\$50	\$480	\$430
2002	\$50	\$420	\$370
		Total Rollback Tax	\$2,170

- b. Seven percent annual interest must be added on these amounts from Date they would have been due. The due date for each year is the date tax bills were mailed that year. Since the interest is computed from the date the difference would have become due to the date the change of use occurs, some prorating will be necessary. Assuming that the use changed November 1st, 2007 and that the tax bills were mailed on October 1st each year, the interest is calculated as follows:

2006 interest runs from October 1, 2006 to November 1, 2007 or 1 year and 32 days. The formula for the interest is:

\$450.00 = Tax

\$ 31.50 = \$450 X .07 = One year's interest

\$ 2.76 = \$450 X .07 X (32/365) = 32 days interest

\$484.26 = Total 2006 tax + interest

2005 interest runs from October 1, 2005 to November 1, 2007 or 2 years and 32 days. The formula for the interest is:

\$470.00 = Tax

\$ 65.80 = \$470 X .07 x 2 year's interest

\$ 2.88 = \$470 X .07 X (32/365) = 32 days interest

\$538.68 = Total 2005 tax + interest

2004 interest runs from October 1, 2004 to November 1, 2007 or 3 years and 32 days. The formula for the interest is:

\$450.00 = Tax

\$ 94.50 = \$450 x .07 x 3 = 3 years interest

\$ 2.76 = \$450 X .07 X (32/365) = 32 days interest

\$547.26 = Total 2004 + interest

2003 interest runs from October 1, 2003 to November 1, 2007 or 4 years and 32 days. The formula for the interest is:

\$430.00 = Tax

\$120.00 = $\$430 \times .07 \times 4$ = 4 years interest

\$ 2.64 = $\$430 \times .07 \times (32/365)$ = 32 day interest

\$553.04 = Total 2003 tax + interest

2002 interest runs from October 1, 2002 to November 1, 2007 or 5 years and 32 days. The formula for the interest is:

\$370.00 = Tax

\$129.50 = $\$370 \times .07 \times 5$ = 5 years interest

\$ 2.27 = $\$370 \times .07 \times (32/365)$ = 32 days interest

\$501.77 = Total 2002 tax + interest

The total rollback tax and interest due is \$2,625.01

4. **ROLLBACK TAXES DUE DATE** – The rollback tax is due the date the tax bill is mailed. It becomes delinquent on the February 1st that is at least 20 days after the tax bill is mailed.

5. **ROLLBACKS ON PROPERTY BOUGHT BY EXEMPT ORGANIZATIONS** – Rollback taxes do not apply if the land is transferred to a religious organization that converts the land to a use for which the land is eligible for a religious exemption. Rollback taxes do not apply if the land is transferred to a charitable organization that produces housing and related services to persons who are 62 years of age or older in a retirement community, if the retirement community provides independent living services, assisted living services and nursing services on a single campus:
 - a. without regard to the residents' ability to pay or
 - b. in which at least four percent of the retirement community's combined net resident revenue is provided in charitable care to its residents