

# **Archer County Appraisal District**

## **Agricultural Land**

Qualifications, Guidelines, Definitions and  
Frequently Asked Questions

Archer County Appraisal District  
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## AGRICULTURE LAND QUALIFICATIONS & GUIDELINE

Two amendments to the Texas Constitution permit agricultural land to be taxed on its agricultural use or productivity value. Taxes are based on the productive value of the land instead of the market value.

The legal basis for special land appraisal is found in the Texas Constitution in Article VIII, Sections 1-d and 1-d-1. The corresponding provisions of the Texas Property Tax Code are Sections 23.41 through 23.46 for 1-d and Sections 23.51 through 23.57 for 1-d-1.

The purpose of the two provisions is similar. Under both provisions, the land must be in agricultural use and is valued in the same manner. However, there are differences in the qualifications that must be met in order to receive the productivity valuation. 1-d-1 qualifications are much easier to meet and are typical for our county.

1-d, Ag-use qualifications include:

The land must be owned by a natural person. Partnerships, corporations or organizations may not qualify.

The land must have been in agricultural use for three (3) years prior to claiming this valuation.

The owner must reapply for the designation every year and file a sworn statement about the use of the land.

The agricultural business must be the land owner's primary occupation and source of income.

1-d-1, Open-space qualifications include:

The land may be owned by an individual, corporations, or partnership.

The land must be currently devoted principally to agricultural use to the degree of intensity generally accepted in the area. (Producing an agricultural product either for food or fiber.)

The land must have been devoted to a qualifying agricultural use for at least five (5) of the past seven (7) years.

The agricultural business need not be the principal business of the owner.

### **Change in use of land/Ownership changes**

Once an application is filed and approved, a land owner is not required to file again as long as the land qualifies unless the Chief Appraiser requests another application to confirm current qualifications. However, the land owner is still obligated to inform the Appraisal District of any changes in the land use. A new application is required any time there is a recorded name change in the deed records. Applications should be filed between January 1<sup>st</sup> and April 30<sup>th</sup>. Applications received after the April 30<sup>th</sup> deadline and until the appraisal records are certified are subject to a 10% penalty for late filing. Applications turned in after the appraisal records are certified cannot be considered for that tax year.

## **Rollback Tax**

The possibility for a “rollback tax” exists under either form of special land valuation. This liability for additional tax is created under 1-d valuation by either sale of land or a change in the use of the land. It extends back to three years prior to the year in which the change or sale occurs.

Under 1-d-1, a rollback is triggered by a change in use to a non-agricultural purpose that would not qualify for productivity valuation. Taxes are rolled back or recaptured for the five (5) years preceding the year of change.

The additional tax is measured by the difference between taxes paid under productivity valuation provisions and the taxes which would have been paid if the land had been put on the tax roll at market value.

### **Definitions**

A. Agricultural use to the degree of intensity generally accepted in the area:

Farming or ranching to the extent that the typically prudent manager in the area of the taxing unit would farm or ranch on an identifiable and substantial tract of land when the tract is devoted principally to agricultural use. A better understanding of the definition can be gained by identifying the key elements of the definition and explaining each as follows:

1. Degree of intensity generally accepted in the area shall refer to the farming and ranching practices. (i.e. cropping patterns, planting rates, fertilization methods, harvesting and marketing techniques, etc.)
2. Typically prudent farm or ranch managers are ordinary farmers in terms of amount of acres farmed as well as management ability. Given that all other factors remain constant, the number of acres farmed determines the farmer’s capital structure. Typically prudent farmers or ranch managers located in Archer County are assumed to have similar equipment of similar value and utility.
3. Simply stated a “substantial tract” is a tract of land that is large enough to be farmed by itself in a typically prudent manner.
4. Area is interpreted to be that land inside the jurisdictional boundaries of the Archer County Appraisal District.
5. Principally means the more important use in comparison with other uses to which the land has.

B. Prudent – capable of making important management decisions; shrewd in the management of practical affairs. Specifically – the law states that the agricultural land must be utilized, as would an ordinary and prudent manager in the area of the taxing unit.

C. Substantial – ample to satisfy; considerable in quantity. Specifically, the law states that the agricultural land must be an identifiable and substantial tract of land. This means that the tract must be of adequate size to be economically feasible to farm or ranch.

D. Typical – exhibiting the essential characteristics of a group. Specifically, the law states that Agricultural land will be utilized as would a typically (ordinary)

prudent manager. Statistically, a typically prudent manager is the median farmer or rancher.

\*\*It is the opinion of the Archer County Appraisal District that the attached agricultural land qualification guidelines are valid for mass appraisal purposes and can be applied uniformly throughout Archer County. These guidelines are supported by Section 183 of the I.R.S. Regulations.

Internal Revenue Service  
"Hobby" Farm Guidelines  
(Reference Section 183 of the I.R.S. Regulations)

1. The manner in which the taxpayer carries on the activity: Does the taxpayer go about the activity in a business-like fashion keeping books and records and does he operate as similar businesses are operated?
2. The expertise of the taxpayer and his advisors. Where the taxpayer has no expertise, does he follow it once found?
3. The time and effort devoted to the farm. Are either the efforts of the taxpayer or his qualified assistants consistent with the size of the investment and a profit motive?
4. Are the assets expected to appreciate in value? Lack of current income may be off set by the possibility of asset appreciation.
5. The taxpayer's history of profits and losses with respect to the activity. A long interrupted history of losses will be harmful but the presumption noted above will operate if the taxpayer has a profit in two (2) years out of five (5) or seven (7).
6. If the taxpayer has been successful in other activities, that may be helpful.
7. If profits are generated, their size in relation to prior or later losses will be considered.
8. If the taxpayer has sufficient wealth to suffer losses, that may indicate a nonprofit motive.
9. If the taxpayer has personal motives or engages in the activity for recreational purposes his overall profit motives will be suspect.

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 basis.

### **Beekeeping Guidelines**

Beekeeping is an agricultural use and shall qualify for agricultural use productivity valuation if used for pollination or for the production of human food or other tangible products having a commercial value. (Sec. 23.51(2) Tax Code)

Acreage Requirements: The State of Texas has set a minimum of 5 acres and a maximum of 20 acres to qualify beekeeping as an agricultural use.

The property needs to have been previously in an agricultural process or the property owner needs to be able to show a five year history of beekeeping or another ag use.

**Degree Of Intensity:**

5 -7.50 acres	6 active hives	7.50-10 acres	7 active hives
10.01-12.50 acres	8 active hives	12.51-15 acres	9 active hives

15.01-17.50 acres    11 active hives            17.51-20 acres            12 active hives

The hives must be located on the property for 7 months of the calendar year for the land to qualify. Hives must be maintained and kept alive and bees can be used to establish history.

### **Agricultural Land Qualifications Guidelines**

The general policy of the Archer County Appraisal District is that in order to qualify for Agricultural Use Valuation the land must:

1. Be utilized to the degree of intensity generally accepted in Archer County. Degree of intensity is measured by local farming and ranching practices of a typical prudent manager.
2. 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 Archer County.
3. Be a substantial tract of land. Substantial means an identifiable tract of land of adequate size to support a typical prudent operation.

### **Minimum Acreage Guidelines for Ag-Use**

#### **Farming- Fifteen (15) acres**

This will be either irrigated crop land or dry crop land.

Wheat, Oats, Grain Sorghum, Cotton, Corn, Soybeans or Hay

The scale of operation is not feasible in terms of capital required for less than 15 acres (owned or hired). Yield should be two bales per acre with a minimum of 15 bales produced.

#### **Ranching- Thirty (30) acres**

The land will be either improved pasture or native pasture.

**Cattle:** have a minimum of 10 animal units on 30 acres or greater concurrent with a stocking rate of 5 to 10 acres per animal unit. A smaller scale of operation is not feasible in terms of capital required (owned or hired) and transportation costs.

**Sheep or Goats:** have a minimum of 15 animal units on 5 acres concurrent with a maximum stocking rate of 3 animal units per acre. A smaller scale of operation is not feasible in terms of capital required (owned or hired) and transportation costs.

**Horses:** raised and sold to the public (horse breeding facilities) qualify for Agricultural Use. Horses have a minimum of 5 animals or 30 acres or greater concurrent with a stocking rate of 5 to 10 acres per animal unit. A smaller scale of operation is not feasible in terms of capital required (owned or hired) and transportation costs.

\*\*\***Horses** stabled, trained or used for recreational purposes **DO NOT QUALIFY** for Agricultural Use.

**Orchards** are not common in Archer County. However, we do have a couple of pecan tree orchards. Orchards are designed, planted, harvested and the product is sold in a business manner. Orchards, Fish Hatcheries and other agricultural endeavors minimum standards will be analyzed on a case-by-case basis, specifically to determine if the endeavor is economically feasible.

**Beekeeping:** The State of Texas has set a minimum of 5 acres and a maximum of 20 acres to qualify beekeeping as an agricultural use. Archer County does not currently have any beekeeping operations.

### **Frequently Asked Questions**

Q: The applications says “open space” and that is what my land is “just open spaces”. Where are the qualifications for that?

A: If the land is not used – it does not qualify. Open space is not a land use. This term is used for describing ranch land characteristics.

Q: This application wants me to list the prior seven years agricultural uses. I just purchased the property and have no idea what the land was used for in the past. Do I just leave that part blank?

A: By law, in order to qualify for the agricultural valuation, you must have a history. It is your obligation to obtain that information if you want to qualify.

Q: Can we get the history of agricultural use from the Appraisal District?

A: No. The Appraisal District will only have a record on the land when the original application was submitted. The District will only know if the agricultural valuation was granted, they will not know the specific use or even if it would have qualified for that year.

Q: What if the land was in agricultural use, but the prior owner did not apply for or receive the agricultural valuation?

A: Again, the Appraisal District looks at the actual land use not the valuation. If the land was being used in a qualifying manner then it would count toward the history of agricultural use.

Q: The appraiser came by and my fences were down and my cattle had been sold. The Appraisal District asked me to resign my agricultural application. I was letting the land lay out, but I can't find any information on that.

A: The land can lay out (not be used) for two years and still qualify for the history. However, if the land is not being used – it does not qualify and will not receive the tax savings for the years it is laying out. Remember it is the taxpayer's obligation to inform the Appraisal District of any changes of use on the land. The exception to this is when the land is in a government program.

Q: I purchased my property in February and immediately came down and filed my agricultural valuation application. It was granted. Then the next year, I received a letter asking me to resign the application again. I thought that once it was filed I did not have to file it again.

A: Since you purchased the property in February, you were not the legal owner on January 1<sup>st</sup> of that tax year. It is the following year that you are required to apply. If the previous owner was receiving the agricultural use valuation, you would have received his benefit. If he had not applied for agricultural use, you could apply for him that first year – but you will be asked to apply the next year under your name.

## AG DETERMINATION PROCEDURES

All 1-d-1 agricultural “special use valuation” applications will be reviewed by an appraiser before action is taken. New applications must be completed on any property with a new deed reference including: new owners, heirs, & name changes of any sort including trusts. New applications may be requested by the chief appraiser to up-date the A.C.A.D. records or when the use on the land is in question.

Each property will be judged on the individual characteristics concerning its specific agricultural use. Special consideration for non-typical uses must be documented in detail on the application by the property owner.

If the appraiser has direct knowledge concerning that property’s agriculture use they can make notes and approve or deny the application immediately.

All other applications will be verified using Google Earth or may be set up for a field inspection. The appraiser will check to see if animals are on the property, if there is a fence, if the grass is being utilized, and if there is evidence of use. The appraiser will check the type of use and amount of acres and make sure they can be reconciled with the records. [If the type of use is incorrect the appraiser will make corrections on the application with their initials beside the correction.]

- ✓ If the agricultural use meets the guidelines and the application is to be **granted**, the appraiser will do the following:
  - 1) Make notes concerning the agricultural use (i.e. saw 12 steer, grass utilized, in use)
  - 2) Date the application
  - 3) Mark the application approved
  - 4) Specify who did the inspection
  
- ✓ If the agricultural use is not evident and **additional information is needed** before the application can be granted, the appraiser will do the following:
  - 1) Make notes as to what was and was not seen on inspection
  - 2) Make notes requesting more information
  - 3) Date the remarks and include the appraiser(s) initials
  - 4) Returned to the property owner with a letter requesting more information
  
- ✓ If the agricultural use does **not** meet the guidelines and the application is to be **denied**, the appraiser will do the following:

- 1) Take several photos of the property as evidence to what was observed
- 2) Make notes as to what was and was not seen on inspection
- 3) Date the application
- 4) Mark the application denied
- 5) Specify who did the inspection
- 6) Discuss the property with the chief appraiser

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