

**COLORADO COUNTY APPRAISAL DISTRICT
AGRICULTURAL USE MANUAL**

**APPLICATION REQUIREMENTS
AGRICULTURAL INTENSITY STANDARDS
FOR OPEN-SPACE LAND VALUATION (1-D-1)**

**Adopted
May 2012**

Introduction

In 1978, voters amended Article VIII, Section I-D of the Constitution by passing Section 1-d-1 to allow expanded eligibility, corporation eligibility and erased occupation and income standards. From the beginning, the Colorado County Central Appraisal District has encouraged property owners to change to the 1-d-1 valuation. The qualifications are less restrictive and the property is not penalized for change in ownership as in Section 1-d.

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

Authorization

The authority to tax land at a productivity value is granted in the Texas Constitution by the following two articles:

Article VIII, Sec. 1-d. Assessment of Lands Designated for Agricultural Use. All land owned by natural persons which is designated for agricultural use in accordance with the provisions of this Section shall be assessed for all tax purposes on the consideration of only those factors relative to such agricultural use.

Article VIII, Sec. 1-d-1. Open-Space Land. To promote the preservation of open-space land, the legislature shall provide by general law for taxation of open-space land devoted to farm or ranch purposes on the basis of its productive capacity and may provide by general law for taxation of open-space land devoted to timber production on the basis of its productive capacity. The legislature by general law may provide eligibility limitations under this section and may impose sanctions in furtherance of the taxation policy of this section.

SUBCHAPTER D. APPRAISAL OF AGRICULTURAL LAND

§ 23.51. Definitions

In this subchapter:

(1) "**Qualified open-space land**" means land that is currently devoted principally to agricultural use to the degree of intensity generally accepted in the area and that has been devoted principally to agricultural use or to production of timber or forest products for five of the preceding seven years or land that is used principally as an ecological laboratory by a public or private college or university. Qualified open-space land includes all appurtenances to the land. For the purposes of this subdivision, appurtenances to the land means private roads, dams, reservoirs, water wells, canals, ditches, terraces, and other reshaping of the soil, fences, and riparian water rights. Notwithstanding the other provisions of this subdivision, land that is currently devoted principally to wildlife management as defined by Subdivision (7) (B) or (C) to the degree of intensity generally accepted in the area qualifies for appraisal as qualified open-space land under this subchapter regardless of the manner in which the land was used in any preceding year.

(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 governmental 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. The term also includes the use of land to produce or harvest logs and posts for the use in constructing or repairing fences, pens, barns, or other agricultural improvements on adjacent qualified open-space land having the

same owner and devoted to a different agricultural use. The term also includes the use of land for wildlife management. The term also includes the use of land to raise or keep bees 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. **Text of subd. (2), as amended by Acts 2011, 82nd Leg., ch. 1213**

(3) "**Category**" means the value classification of land considering the agricultural use to which the land is principally devoted. The chief appraiser shall determine the categories into which land in the appraisal district is classified. In classifying land according to categories, the chief appraiser shall distinguish between irrigated cropland, dry cropland, improved pasture, native pasture, orchard, and waste. The chief appraiser may establish additional categories. The chief appraiser shall further divide each category according to soil type, soil capability, irrigation, general topography, geographical factors, and other factors that influence the productive capacity of the category. The chief appraiser shall obtain information from the Texas Agricultural Extension Service, the Natural Resources Conservation Service of the United States Department of Agriculture, and other recognized agricultural sources for the purposes of determining the categories of land existing in the appraisal district.

(4) "**Net to land**" means the average annual net income derived from the use of open space land that would have been earned from the land during the five-year period preceding the year before the appraisal by an owner using ordinary prudence in the management of the land and the farm crops or livestock produced or supported on the land and, in addition, any income received from hunting or recreational leases. The chief appraiser shall calculate net to land by considering the income that would be due to the owner of the land under cash lease, share lease, or whatever lease arrangement is typical in that area for that category of land, and all expenses directly attributable to the agricultural use of the land by the owner shall be subtracted from this owner income and the results shall be used in income capitalization. In calculating net to land, a reasonable deduction shall be made for any depletion that occurs of underground water used in the agricultural operation. For land that qualifies under Subdivision (7) for appraisal under this subchapter, the chief appraiser may not consider in the calculation of net to land the income that would be due to the owner under a hunting or recreational lease of the land.

(5) "**Income capitalization**" means the process of dividing net to land by the capitalization rate to determine the appraised value.

(6) "**Exotic animal**" means a species of game not indigenous to this state, including axis deer, nilga antelope, red sheep, other cloven-hoofed ruminant mammals, or exotic fowl as defined by Section 142.001, Agriculture Code.

(7) "**Wildlife management**" means:

(A) actively using land that at the time the wildlife-management use began was appraised as qualified open-space land under this subchapter or as qualified timber land under Subchapter E 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:

- (i) Habitat control;
- (ii) Erosion control;
- (iii) Predator control;
- (iv) Providing supplemental supplies of water;
- (v) Providing supplemental supplies of food;
- (vi) Providing shelters; and
- (vii) Making of census counts to determine population;

(B) actively using land to protect federally listed endangered species under a federal permit if the land is:

- (i) included in a habitat preserve and is subject to a conservation easement created under Chapter 183, Natural Resources Code; or
- (ii) part of a conservation development under a federally approved habitat conservation plan that restricts the use of the land to protect federally listed endangered species; or

(C) actively using land for a conservation or restoration project to provide compensation for natural resource damages pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. Section 9601 et seq.), the Oil Pollution Act of 1990 (33 U.S. C. Section 2701 et seq.), the Federal Water Pollution Control Act (33 U.S.C. Section 1251 et seq.), or Chapter 40, Natural Resources Code.

(8) "**Endangered species**," "**federal permit**," and "**habitat preserve**" have the meanings assigned by Section 83.011, Parks and Wildlife Code.

(9) **Timber** – land that is currently and actively devoted principally to production of timber or forest products to the degree of intensity generally accepted in the area with the intent to produce income and has been devoted principally to production of timber or forest products or to agricultural use that would qualify the land for appraisal under Subchapter C (land designated for agricultural use) and Subchapter D (appraisal of agricultural land) of this chapter for five of the preceding seven years.

§ 23.52. Appraisal of Qualified Agricultural Land

(a) The appraised value of qualified open-space land is determined on the basis of the category of the land, using accepted income capitalization methods applied to average net to land. The appraised value so determined may not exceed the market value as determined by other appraisal methods.

(b) The chief appraiser shall determine the appraised value according to this subchapter and, when requested by a landowner, the appraised value according to Subchapter C of this chapter 1 of each category of open-space land owned by that landowner and shall make each value and the market value according to the preceding year's appraisal roll available to a person seeking to apply for appraisal as provided by this subchapter or as provided by Subchapter C of this chapter.

(c) The chief appraiser may not change the appraised value of a parcel of open-space land unless the owner has applied for and the land has qualified for appraisal as provided by this subchapter or by Subchapter C of this chapter or unless the change is made as a result of a reappraisal.

(d) The comptroller by rule shall develop and distribute to each appraisal office appraisal manuals setting forth this method of appraising qualified open-space land, and each appraisal office shall use the appraisal manuals in appraising qualified open-space land. The comptroller by rule shall develop and the appraisal office shall enforce procedures to verify that land meets the conditions contained in Subdivision (1) of Section 23.51 of this code. The rules, before taking effect, must be approved by a majority vote of a committee comprised of the following officials or their designees: the governor, the comptroller, the attorney general, the agriculture commissioner, and the Commissioner of the General Land Office.

(e) For the purposes of Section 23.55 of this code, the chief appraiser also shall determine the market value of qualified open-space land and shall record both the market value and the appraised value in the appraisal records.

(f) The appraisal of minerals or subsurface rights to minerals is not within the provisions of this subchapter.

(g) The category of land that qualifies under Section 23.51(7) is the category of the land under this subchapter or Subchapter E, as applicable, before the wildlife-management use began.

§ 23.521. Standards for Qualification of Land for Appraisal Based on Wildlife Management Use

(a) The Parks and Wildlife Department, with the assistance of the comptroller, shall develop standards for determining whether land qualifies under Section 23.51(7) for appraisal under this subchapter. The comptroller by rule shall adopt the standards developed by the Parks and Wildlife Department and distribute those rules to each appraisal district. On request of the Parks and Wildlife Department, the Texas Agricultural Extension Service shall assist the department in developing the standards.

(b) The standards adopted under Subsection (a) may require that a tract of land be a specified minimum size to qualify under Section 23.51(7)(A) for appraisal under this subchapter, taking into consideration one or more of the following factors:

- (1) the activities listed in Section 23.51(7)(A);
- (2) the type of indigenous wild animal population the land is being used to propagate;
- (3) the region in this state in which the land is located; and
- (4) any other factor the Parks and Wildlife Department determines is relevant.

(c) The standards adopted under Subsection (a) may include specifications for a written management plan to be developed by a landowner if the landowner receives a request for a written management plan from a chief appraiser as part of a request for additional information under Section 23.57.

(d) In determining whether land qualifies under Section 23.51(7) for appraisal under this subchapter, the chief appraiser and the appraisal review board shall apply the standards adopted under Subsection (a) and, to the extent they do not conflict with those standards, the appraisal manuals developed and distributed under Section 23.52(d).

§ 23.522. Temporary Cessation of Agricultural Use During a Drought

The eligibility of land for appraisal under this subchapter does not end because the land ceases to be devoted principally to agricultural use to the degree of intensity generally accepted in the area if:

- (1) a drought declared by the governor creates an agricultural necessity to extend the normal time the land remains out of agricultural production; and
- (2) the owner of the land intends that the use of the land in that manner and to that degree of intensity be resumed when the declared drought ceases.

§ 23.53. Capitalization Rate

The capitalization rate to be used in determining the appraised value of qualified open-space land as provided by the subchapter is 10 percent or the interest rate specified by the Farm Credit Bank of Texas or its successor on December 31 of the preceding year plus 2 1/2 percentage points, whichever percentage is greater.

§ 23.54. Application

(a) A person claiming that his land is eligible for appraisal under this subchapter must file a valid application with the chief appraiser.

(b) To be valid, the application must:

- (1) be on a form provided by the appraisal office and prescribed by the comptroller; and
- (2) contain the information necessary to determine the validity of the claim.

(c) The comptroller shall include on the form a notice of the penalties prescribed by Section 37.10, Penal Code, for making or filing an application containing a false statement. The comptroller, in prescribing the contents of the application form, shall require that the form permit a claimant who has previously been allowed appraisal under this subchapter to indicate that previously reported information has not changed and to supply only the eligibility information not previously reported.

(d) The form must be filed before May 1. However, for good cause the chief appraiser may extend the filing deadline for not more than 60 days.

(e) If a person fails to file a valid application on time, the land is ineligible for appraisal as provided by this subchapter for that year. Once an application is filed and appraisal under this subchapter is allowed, the land is eligible for appraisal under this subchapter in subsequent years without a new application unless the ownership of the land changes or its eligibility under this subchapter ends. However, the chief appraiser if he has good cause to believe the land's eligibility under this subchapter has ended, may require a person allowed appraisal under this subchapter in a prior year to file a new application to confirm that the land is currently eligible under this subchapter by delivering a written notice that a new application is required, accompanied by the application form, to the person who filed the application that was previously allowed.

(f) The appraisal office shall make a sufficient number of printed application forms readily available at no charge.

(g) Each year the chief appraiser for each appraisal district shall publicize, in a manner reasonably designed to notify all residents of the district, the requirements of this section and the availability of application forms.

(h) A person whose land is allowed appraisal under this subchapter shall notify the appraisal office in writing before May 1 after eligibility of the land under this subchapter ends or after a change in the category of agricultural use. If a person fails to notify the appraisal office as required by this subsection a penalty is imposed on the property equal to 10 percent of the difference between the taxes imposed on the property in each year it is erroneously allowed appraisal under this subchapter and the taxes that would otherwise have been imposed.

(i) The chief appraiser shall make an entry in the appraisal records for the property against which the penalty is imposed indicating liability for the penalty and shall deliver a written notice of imposition of the penalty to the person who owns the property. The notice shall include a brief explanation of the procedures for protesting the imposition of the penalty. The assessor for each taxing unit that imposed taxes on the property on the basis of appraisal under this subchapter shall add the amount of the penalty to the unit's tax bill for taxes on the property against which the penalty is imposed. The penalty shall be collected at the same time and in the same manner as the taxes on the property against which the penalty is imposed. The amount of the penalty constitutes a lien on the property against which the penalty is imposed and accrues penalty and interest in the same manner as a delinquent tax.

j) If the chief appraiser discovers that appraisal under this subchapter has been erroneously allowed in anyone of the five preceding years because of failure of the person whose land was allowed appraisal under this subchapter to give notice that its eligibility has ended, he shall add the difference between the appraised value of the land under this subchapter and the market value of the land to the appraisal roll as provided by Section 25.21 of this code for other property that escapes taxation.

§ 23.541. Late Application for Appraisal as Agricultural Land

(a) The chief appraiser shall accept and approve or deny an application for appraisal under this subchapter after the deadline for filing it has passed if it is filed before approval of the appraisal records by the appraisal review board.

(b) If appraisal under this subchapter is approved when the application is filed late, the owner is liable for a penalty of 10 percent of the difference between the amount of tax imposed on the property and the amount that would be imposed if the property were taxed at market value.

(c) The chief appraiser shall make an entry on the appraisal records indicating the person's liability for the penalty and shall deliver written notice of imposition of the penalty, explaining the reason for its imposition, to the person.

(d) The tax assessor for a taxing unit that taxes land based on an appraisal under this subchapter after a late application shall add the amount of the penalty to the owner's tax bill, and the tax collector for the unit shall collect the penalty at the time and in the manner he collects the tax. The amount of the penalty constitutes a lien against the property against which the penalty is imposed, as if it were a tax, and accrues penalty and interest in the same manner as a delinquent tax.

§ 23.55. Change of Use of Land

(a) If the use of land that has been appraised as provided by this subchapter changes, an additional tax is imposed on the land equal to the difference between the taxes imposed on the land for each of the five years preceding the year in which the change of use occurs that the land was appraised as provided by this subchapter and the tax that would have been imposed had the land been taxed on the basis of market value in each of those years, plus interest at an annual rate of seven percent calculated from the dates on which the differences would have become due. For purposes of this subsection, the chief appraiser may not consider any period during which land is owned by the state in determining whether a change in the use of the land has occurred.

(b) A tax lien attaches to the land on the date the change of use occurs to secure payment of the additional tax and interest imposed by this section and any penalties incurred. The lien exists in favor of all taxing units for which the additional tax is imposed.

(c) The additional tax imposed by this section does not apply to a year for which the tax has already been imposed.

(d) If the change of use applies to only part of a parcel that has been appraised as provided by this subchapter, the additional tax applies only to that part of the parcel and equals the difference between the taxes imposed on that part of the parcel and the taxes that would have been imposed had that part been taxed on the basis of market value.

(e) A determination that a change in use of the land has occurred is made by the chief appraiser. The chief appraiser shall deliver a notice of the determination to the owner of the land as soon as possible after making the determination and shall include in the notice an explanation of the owner's right to protest the determination. If the owner does not file a timely protest or if the final determination of the protest is that the additional taxes are due, the assessor for each taxing unit shall prepare and deliver a bill for the additional taxes plus interest as soon as practicable. The taxes and interest are due and become delinquent and incur penalties and interest as provided by law for ad valorem taxes imposed by the taxing unit if not paid before the next February 1 that is at least 20 days after the date the bill is delivered to the owner of the land.

(f) The sanctions provided by Subsection (a) of this section do not apply if the change of use occurs as a result of:

- (1) a sale for right-of-way;
- (2) a condemnation;
- (3) a transfer of the property to the state or a political subdivision of the state to be used for a public purpose; or
- (4) a transfer of the property from the state, a political subdivision of the state, or a nonprofit corporation created by a municipality with a population of more than one million under the Development Corporation Act (Subtitle C I, Title 12, Local Government Code) to an individual or a business entity for purposes of economic development if the comptroller determines that the economic development is likely to generate for deposit in the general revenue fund during the next two fiscal bienniums an amount of taxes and other revenues that equals or exceeds 20 times the amount of additional taxes and interest that would have been imposed under Subsection (a) had the sanctions provided by that subsection applied to the transfer.

(g) If the use of the land changes to a use that qualifies under Subchapter E of this chapter, the sanctions provided by Subsection (a) of this section do not apply.

(h) Additional taxes, if any, for a year in which land was designated for agricultural use as provided by Subchapter C of this chapter (or Article VIII, Section I--d, of the constitution) are determined as provided by that subchapter, and the additional taxes imposed by this section do not apply for that year.

(i) The use of land does not change for purposes of Subsection (a) of this section solely because the owner of the land claims it as part of his residence homestead for purposes of Section 11.13 of this code.

(j) The sanctions provided by Subsection (a) do not apply to a change in the use of land if:

- (1) the land is located in an unincorporated area of a county with a population of less than 100,000;
- (2) the land does not exceed five acres;
- (3) the land is owned by a not-for-profit cemetery organization;
- (4) the cemetery organization dedicates the land for a cemetery purpose;
- (5) the cemetery organization has not dedicated more than five acres of land in the county for a cemetery purpose in the five years preceding the date the cemetery organization dedicates the land for a cemetery purpose; and
- (6) the land is adjacent to a cemetery that has been in existence for more than 100 years.

(k) In Subsection (j), "cemetery," "cemetery organization," and "cemetery purpose" have the meanings assigned those terms by Section 711.001, Health and Safety Code.

(l) The sanctions provided by Subsection (a) of this section do not apply to land owned by an organization that qualifies as a religious organization under Section 11.20(c) of this code if the organization converts the land to a use for which the land is eligible for an exemption under Section 11.20 of this code within five years.

(m) For purposes of determining whether a transfer of land qualifies for the exemption from additional taxes provided by Subsection (f)(4), on an application of the entity transferring or proposing to transfer the land or of the individual or entity to which the land is transferred or proposed to be transferred, the comptroller shall determine the amount of taxes and other revenues likely to be generated as a result of the economic development for deposit in the general revenue fund during the next two fiscal bienniums. If the comptroller determines that the amount of those revenues is likely to equal or exceed 20 times the amount of additional taxes and interest that would be imposed under Subsection (a) if the sanctions provided by that subsection applied to the transfer, the comptroller shall issue a letter to the applicant stating the comptroller's determination and shall send a copy of the letter by regular mail to the chief appraiser.

(n) Within one year of the conclusion of the two fiscal biennium's for which the comptroller issued a letter as provided under Subsection (m), the board of directors of the appraisal district, by official board action, may direct the chief appraiser to request the comptroller to determine if the amount of revenues was equal to or exceeded 20 times the amount of taxes and interest that would have been imposed under Subsection (a). The comptroller shall issue a finding as to whether the amount of revenue met the projected increases. The chief appraiser shall review the results of the comptroller's finding and shall make a determination as to whether sanctions under Subsection (a) should be imposed. If the chief appraiser determines that the sanctions provided by Subsection (a) shall be imposed, the sanctions shall be based on the date of the transfer of the property under Subsection (f)(4).

(o) The sanctions provided by Subsection (a) do not apply to land owned by an organization that qualifies as a charitable organization under Section II.18(c), is organized exclusively to perform religious or charitable purposes, and engages in performing the charitable functions described by Section II.18(d)(19), if the organization converts the land to a use for which the land is eligible for an exemption under Section II.18(d)(19) within five years.

§ 23.56. Land Ineligible for Appraisal as Open-space Land

Land is not eligible for appraisal as provided by this subchapter if:

- (1) the land is located inside the corporate limits of an incorporated city or town, unless:
 - (A) the city or town is not providing the land with governmental and proprietary services substantially equivalent in standard and scope to those services it provides in other parts of the city or town with similar topography, land utilization, and population density;
 - (B) the land has been devoted principally to agricultural use continuously for the preceding five years; or
 - (C) the land:
 - (i) has been devoted principally to agricultural use or to production of timber or forest products continuously for the preceding five years; and
 - (ii) is used for wildlife management;
- (2) the land is owned by an individual who is a nonresident alien or by a foreign government if that individual or government is required by federal law or by rule adopted pursuant to federal law to register his ownership or acquisition of that property; or
- (3) the land is owned by a corporation, partnership, trust, or other legal entity if the entity is required by federal law or by rule adopted pursuant to federal law to register its ownership or acquisition of that land and a nonresident alien or a foreign government or any combination of nonresident aliens and foreign governments own a majority interest in the entity.

§ 23.57. Action on Applications

(a) The chief appraiser shall determine separately each applicant's right to have his land appraised under this subchapter. After considering the application and all relevant information, the chief appraiser shall, as the law and facts warrant:

- (1) approve the application and allow appraisal under this subchapter;
- (2) disapprove the application and request additional information from the applicant in support of the claim; or
- (3) deny the application.

(b) If the chief appraiser requests additional information from an applicant, the applicant must furnish it within 30 days after the date of the request or the application is denied. However, for good cause shown the chief appraiser may extend the deadline for furnishing the information by written order for a single period not to exceed 15 days.

(c) The chief appraiser shall determine the validity of each application for appraisal under this subchapter filed with him before he submits the appraisal records for review and determination of protests as provided by Chapter 41 of this code.

(d) If the chief appraiser denies an application, he shall deliver a written notice of the denial to the applicant within five days after the date he makes the determination. He shall include with the notice a brief explanation of the procedures for protesting his action and a full explanation of the reasons for denial of the application. In 1996, HB 1358 amended the Constitution to include wildlife management in agricultural appraisal. Agricultural appraisal applies to land only. Other properties that may be connected with the land such as improvements on the land or minerals do not qualify for agricultural appraisal. The land must be currently devoted principally to agricultural use to the degree of intensity that is typical in the area. Land within the boundaries of a city or town will not qualify unless:

- the city does not provide the land with general services comparable to those provided in other parts of the municipality or;
- the land has been devoted principally to agricultural use continuously for the preceding five years.

Although referred to by some as an exemption, agricultural appraisal is a special valuation rather than an exemption.

Market Value - the price a buyer would pay for land in an ordinary market transaction.

Productivity Value - a value based solely on the land's capacity to produce agricultural products.

2012 COLORADO COUNTY CAD NET TO LAND VALUES

\$30.77 / .1000 = \$308 ROWCROP & ORCHARDS

\$36.71 / .1000 = \$367 RICELAND

\$9.41 / .1000 = \$ 94 NATIVE PASTURE

\$12.95 / .1000 = \$130 IMPROVED PASTURE

\$11.44 / .0872 = \$119 TIMBERLAND

\$ 54 WASTELAND

NOTE: THE CAP RATE FOR TIMBER FOR 2012 IS 8.72%

INTENSITY STANDARDS FROM OPEN SPACE LAND

Intensity standards are derived from what is typical in the local area for the different agriculture operations. In order to help the Appraisal Districts define these standards, the State Legislature provided for an outside advisory committee to be formed for this purpose. In order to qualify, open-space land must meet or exceed these minimum standards for Colorado County.

Operational Definitions: Only those operations that are truly commercial in nature were considered for defining these standards. The “Manual for the Appraisal of Agricultural Land” tasks the Appraisal Districts with eliminating casual agricultural operations in Colorado County. These categories are Cropland, Pastureland and Special Operations. Within each category there are subcategories as follows:

Farming Operations	Grazing Operations	Special Operations
Row Crop Orchard Hay Crop Truck Farm Vineyards Irrigated-Cropland	Improved Pasture Native Pasture Brush Land Wasteland	Dairy Feedlot Hog Operations Bee/Honey Permaculture Floraculture Domesticated Fowl Christmas Trees Aquaculture Turf Grass Farm Timber

The three categories are separated primarily by use; cropland assumes soil cultivation, fertilization, and harvesting; pastureland will involve some type of grazing operation. Special operations are those endeavors that do not fall into cropland or pastureland categories.

Cropland Operations: The following subcategories for cropland are listed below with a brief description of each activity:

Row Crop – This operation involves the cultivation of the soil for planting grain crops with the intent of harvest for sale or for feed such as corn, wheat, milo, cotton, soybeans and other grains. A high degree of cultivation must be evident in order to qualify. Cropland that is not being farmed and is in the Federal Program to receive subsidies is still classified as row cropland.

Orchards / Vineyards – This operation is in the business of cultivation and growing of trees or grapevines that produce crops of nuts or fruits. A regular schedule of pruning and spraying and cultivation or close mowed turf grass as brush and weed control must be evident. This operation like truck farming can yield good harvests off small acreage, thus a minimum size requirement would be six acres.

Hay Crop – This operation involves the cultivation (fertilizing) of planted or maintained grasses such as hybrid Sorghum grasses or coastal Bermuda. These grasses are then cut, baled and marketed or used for personal livestock feed. Weed and brush control are usually evident. Six acres is a minimum size requirement for this type of operation. Proof of sales of hay crop, proof of ownership of livestock and baling receipts may be required.

Truck Farming – This operation is in the business of cultivation the soil for planting vegetables. This type of operation depends on a good source of water, thus some type of irrigation equipment should be evident. This type of operation typically requires a minimum of six acres.

Irrigated Cropland – This operation involves the cultivation of the soil for rice production, with the intent to harvest for sale. The tract must be prepared for controlled flood irrigation with a series of levees, and a large reliable source of water. During the dry seasons, rice straw may be cut and baled for livestock feed. Irrigated cropland that is not being farmed and is in the Federal Program to receive subsidies is still considered irrigated cropland. 3-year crop rotation is the most typical being 1 year in rice production and 2 years in pasture.

Grazing Operation – Grazing operations may fall into one or more of the following subcategories:

- 1) Improved pastures – are composed of grasses that are not native to the area such as coastal Bermuda, Alicia, Bahia, Jiggs, Tifton etc. High intensity management practices such as fertilization, weed control, shredding, rotated grazing or harvesting grass for hay are common. Stocking rates for intensely managed improved pastures may be as great as one grown head per acre.
- 2) Native pasture – are composed of grasses that are native to the area. A low level of management is common. Native pastures that are intensely managed are considered to be equivalent to improved pasture. Stocking rates will vary greatly. Some weak soil areas such as the piney woods may need as much as 50 to 60 acres to graze a grown cow and the better soils may graze 1 cow to 2 acres.

Beef Cow/Calf – This operation is in the business of raising beef for sale to either processors or to other operators as breeding stock. These operators include the purebred operations, also the commercial breeder who sells calves to the local stock markets. Typical requirements include a minimum herd size of five grown head of breeding age animals. One cow/calf pair or a mature individual is considered to be equivalent to one animal unit.

Feeder/Stocker Calf – This operation is in the business of raising beef for processors. This operation involves acquiring calves at a certain weight from cow/calf operators and raising the calves until they gain weight (feed lot or slaughter weight). Although both heifer and steer calves can be found in these types of operations, steer calves are the most prevalent. Typical requirements include a minimum herd size of ten head. Two calves are equal to one animal unit.

Sheep/Goats – This operation is in the business of providing two by-products, wool/mohair and meat. Commercial operations would not require any particular type of breed and is usually in the business of meat production only. Purebred operations are normally primarily in the business of producing wool/mohair, meat or animals for sale to other producers as breeding stock. Typical requirements include a minimum herd size of twenty-five head.

Horse Farm – This operation is directed to breeding operations. The by-products are colts and fillies. This operation involves having brood mares and either stud (stallion) on location or A/I service. This operation will involve facilities for the care, breeding, and raising of brood stock and their offspring together with intensive training of colts or fillies if operation involves any number of breeds and is not limited to thoroughbred and quarter horse breeds. Typical pastures are of the improved variety such as coastal and alfalfa. Typical requirements include a minimum of three head, with at least two being brood mares.

Working Horses – Acreage used to graze horses that are used in conjunction with ranching or farming qualifies for open-space ag valuation. The minimum number of animal units and the minimum acreage sizes are not required as long as the horse or horses are used in ranch or farm work.

Recreational Horses – Land that is used to graze recreational horses that are not used in a breeding operation or used for ranch work can qualify. The minimum acreage required for this type operation is the 6-acre minimum for native pasture and the minimum number of animal units is 3.

Miniature Horses/Shetland Horses – Refer to the above section on horse breeding operations. Typical requirements are six miniature horses or four Shetland horses. Two miniature horses equal one animal unit; one Shetland horse is equal to one animal unit.

Exotics – This operation involves the raising of deer breeds that are not native to Texas for supplying meat and/or leather for the specialty markets. Production and sale of breeding stock can also qualify, but proof of sales may be required. The pastures that are involved in this type of operation require a seven to eight foot perimeter fence. This fence is made up of wire mesh and may have barbed wire at the top. In order to qualify, the operator should be able to provide the district a harvesting schedule. Typical requirements include fifteen grown deer minimum.

Special Operations – These special operation subcategories are as follows: (Note: These operations are intensive in nature thus requiring special handling from a value standpoint.)

Dairy Cow/Calf – This operation is the business of producing milk/cheese products. This operation involves dairy type breeds such as Holstein and Jersey. Typical operation involves a bull on location or A/I service to several head of breeding age cows. Calf production is necessary for the continual production of milk, and thus also is a secondary crop for the dairy producer. Calves are weaned very early from mother cows and fed out to sell to processors as veal or to local stock markets to supply the stocker calf operators. Heifer calves are returned to the herd as milk producers. Dairy herds are confined to improved pastures and in great numbers that requires a great amount of supplemental feeding. Dairies have also involved some cultivating of grain crops or fodder to support this supplemental food need. Typical requirements include a minimum of twenty-five head. One cow/calf or one mature individual is equal to one animal unit.

Feedlot – These operations that take calves and feed them for finishing purposes before slaughter. Only the part used for this operation would qualify.

Hog Operations – This operation involves the raising of hogs for the pork meat market. Typically the hogs are confined to small pen areas. Also large numbers of hogs can be kept on small acreage. Minimum intensity requirement is five breeding sows or thirty feeder pigs. Only the land involved with the pen area will qualify.

Bee/Honey – This operation involves the placing of hives in order for the honeybee to produce honeycomb. This honeycomb is processed into pure honey food product for human consumption. The hives are placed in groups in an open pasture. The minimum amount of acreage for Bee/Honey operation is five (5). The maximum acreage is twenty (20). The minimum amount of active (live) hives is 6 for five and a minimum amount active hives for twenty (20) acres is twelve. The number of hives needed will vary depending on the acreage between the minimum of five (acres) and the maximum of twenty (20) acres.

Permaculture – This operation is in the business of cultivating herbs and medicinal type plants not native to this area using the native plant cover to protect the budding plants. This operation is intensive on small acreage; there are no minimum acreage requirements.

Floraculture – This operation is in the business of cultivating plants or nursery stock in pots on top of the ground. This stock is then sold wholesale to nurseries. Intensive conditions exist on small acreages; there are no minimum acreage requirements for these tracts.

Domesticated Fowl – This operation involves the raising of domesticated fowl, such as: chickens, turkeys and quail, as meat for human consumption. Chicken operations may involve also the harvesting of eggs as well. This operation involves raising the birds in large barns holding thousands of birds. The area under the barns with some surrounding land for access would qualify.

Exotic Birds – This operation involves the raising of exotic birds for breeders, zoo, or specialty markets. To qualify for open-space these cases must be reviewed on an individual basis by the chief appraiser.

Christmas Trees – This operation is in the business of cultivating evergreen trees to market as Christmas trees. A regular schedule of pruning and spraying and cultivation, along with mowed turf grass as brush and weed control must be evident. Some reliable source of water should be present. Intensive conditions exist on small acreages; a minimum size requirement would be three acres.

Aquaculture – This operation involves the raising and harvesting of fish, shrimp, crayfish, or other aquatic animals for human consumption. Intensive conditions exist on small ponds. Raising fish is a qualified agricultural land use when all the elements of a bulk harvest are present. Taking fish by individual line is clearly a recreational activity.

Turf Grass Farms – This operation is in the business of cultivating turf type grasses for wholesale to landscapers and builders. A high degree of weed and pest control must be evident. This operation always involves irrigation and thus should be evident as well. The minimum acreage is ten acres.

Timber – This operation is currently and has been devoted principally to the production of timber or forest products with the intent to produce income for five of the last seven years. Planted forests can qualify as well as native stands of timber. Native stands of pine may only be harvested every 10 to 15 years and cedar every 15 to 20 years. Evidence of harvesting, marketing, and replanting should be supplied on request.

Minimum Acreage – Typically a minimum of six acres is required for native pasture cattle operations. However land may qualify for open-space if it is leased and run as a part of a larger operation (in conjunction with each other). The tracts involved must average the six-acre minimum per owner. For example, a ten-acre and a six-acre tract are used in conjunction with each other. The average per owner would be eight acres and therefore qualify as to minimum acreage requirements. The minimum number of acres for a Bee/Honey operation is five (5) acres.

Verification – If a small tract is leased as part of a larger operation, it may qualify. Written verification of participation in a larger operation must be on file with the Appraisal District. This written documentation can be a written lease and/or a written statement from the property owner that an oral agreement is in effect. If a statement is used, the location of property, parties involved and length of agreement must be stated.

Rural Subdivisions – Acreage tracts of 5.99 acres or less in a developed and primarily residential area with a home built upon the tract with agricultural use being secondary does not qualify. Open-Space Land must have agriculture use as the primary use in order to qualify.

Temporary Interruption – If a tract shows no activity and this lack of activity is because of:

- (A) Disaster (drought, flood, no water source for live stock etc.) reasons, these standards may be set aside for the year that the disaster occurs. Prudent management during extreme drought conditions may dictate that all grazing animals be removed for short periods. It is recommended that the CAD office be notified if this drought situation is for a period greater than 12 months. The open-space agricultural value can continue under the above circumstances.
- (B) Fence construction (estate settlements, partition, condition), a temporary interruption may be granted for a maximum of one year from the date agricultural practices ceased except when litigation is pending.

Land Used in Conjunction—with larger tracts may qualify if used to store farm equipment, working ranch horse(s), bull pastures, weaning pastures if there is no residential or commercial endeavor on the property.

Periodic Adjustments – These standards are subject to periodic review by the Agricultural Advisory Board to keep them current with what is typical agriculture practice in Colorado County. Also from time to time, adjustments will be needed to comply with changes in either Texas Comptroller of Public Accounts appraisal manual or Texas Property Tax Code.

TYPICAL HERD SIZE REQUIREMENTS

Type of Operation	Minimum Size
Beef Cow/Calf	5
Dairy Cow/Calf	25
Feeder/Stocker	10
Sheep/Goats	25
Horses (24+ mo)	3
Miniature Horse	6
Shetland Horse	4
Exotic Deer	15
Llamas	4
Bee/Honey	6

MINIMUM ACREAGE REQUIREMENTS FOR LAND

<u>Type of Land</u>	<u>Minimum # of Acres</u>
Row Crop (small grains)	n/a
Orchards/Vineyards	6 acres
Hay Crop	6 acres
Truck Farm	6 acres
Irrigated Cropland	n/a
Native Pasture (grazing)	6 acres
Improved pasture	6 acres
Permaculture	n/a
Floraculture	n/a
Christmas Trees	6 acres
Turf Grass Farms	6 acres
Timber	n/a
Bee/Honey	5 acres

MINIMUM TREES PER ACRE REQUIREMENTS

Pecan orchards	14 trees/acre
Peach orchards	40 trees/acre
Timber	400 trees/acre
Christmas tree farm	700 trees/acre

**COLORADO COUNTY APPRAISAL DISTRICT
AGRICULTURAL USE MANUAL**

**OPERATING PROCEDURES
FOR OPEN-SPACE LAND VALUATION (1-D-1)**

2012

Procedures

Agricultural Application

A property owner must file a valid application form with the chief appraiser in the county where the land is located. Applications must be postmarked by the deadline - April 30th, unless it falls on a weekend - in order to avoid a penalty. The postmark is considered the delivery date. The chief appraiser may extend the deadline for good cause, for not more than sixty (60) days, if the request is received in writing before the deadline (TPTC §23.54 (d)). A new application must be filed when there is a change of ownership. If a person fails to file a valid application on time, the land is ineligible for agricultural appraisal for that year. Once an application for 1-d-1 is filed and approved, a landowner is not required to file again as long as the land qualifies, unless the chief appraiser requests another application to confirm current qualification.

Late applications can be filed until the appraisal review board approves the records. If approved, late applications will be subject to a ten (10) percent penalty of the difference between the amount of tax imposed on the property at agricultural value (I-D-1) and the amount that would be imposed if the property were taxed at market value. Applications may not be filed after certification of the roll.

The land must have been devoted to a qualifying agricultural use for at least five (5) of the preceding seven (7) years and currently devoted to typical intensity agricultural use. Examples of documentation that can be provided to verify use include: IRS forms, sales receipts, expense receipts and/or sworn affidavits from persons (lessor or lessee) having knowledge of the subject property. Land under agricultural production must be specifically identified and products produced clearly stated. The land must be described legally and physically. Physical description identifies the land in categories or classifications such as dry land cropland or native pasture, as well as the number of acres in production. The productive capacity of the land must be described to allow for measurement of agricultural production intensity.

If the land is located within the boundaries of a city or town, one of the following requirements must be met in addition to the normal requirements. The city must not provide the land with general services comparable to those in other parts of the city having similar features and population and/or must have been devoted principally to agricultural use continuously for the preceding five years.

The appraisers review the applications for appropriate account number(s), updates mailing address, confirms the acreage matches the accounts(s), requests deed research when necessary, codes the account(s), scans the application, and otherwise confirms the document is ready for processing and field check.

When the chief appraiser receives an application for agricultural valuation he must:

- 1) approve the application or;
- 2) deny the application and notify the applicant, in writing, of his denial and the reason for the denial;
- 3) request additional information.

Notifications of a change in agricultural use, approvals, denials and responses to applications must be made by certified mail. When mailing a certified letter:

- 1) The certified receipt will be kept by the agricultural appraiser.
- 2) The letter should be scanned with the appropriate code at this time
 - a. Agricultural denial letter
 - b. Agricultural rollback notice
- 3) When the signed/returned slip is received, it should be attached to the letter document in the property owners' folder.

Field Inspections

Throughout the year, each appraiser will randomly select agricultural use properties in their assigned area to check. The appraiser takes a copy of the appraisal card along with any maps to help identify the type(s) of agricultural uses practices that are being implemented on the property. If it appears that the property owner is not doing his or her required practices that are on the appraisal card, an agricultural use warning letter will be mailed by regular mail in February-March requesting the owner contact our office.

The letter states:

Please be aware that this letter serves as an inquiry into the agricultural use of the above referenced property. On a recent inspection by our field appraisers, the land did not appear to be devoted to agricultural use. Article 8, Section 1-d-1 of the Texas Constitution states that in order to receive this special valuation the land must be “devoted principally to agricultural use to the degree of intensity generally accepted in the area”. Section 23.54 (h) of Texas Property Tax Code requires the landowner to notify the appraisal district in writing after a change in use or the land is no longer being used for agricultural uses.

If your land is still being used agriculturally, please notify our office with the information needed to make this determination. We will revisit this property in the future to verify any agricultural activity.

If it is determined that previously qualified agricultural land is no longer being used to raise livestock, for hay production, or for growing crops, then the special valuation will be removed and the property will be taxed based on its market value. In addition, this property may be subject to additional taxes as stated in Section 23.55(a) of the Texas Property Tax Code.

Please contact our office at (979) 732-8222. We will be happy to answer any questions you may have concerning this matter.

If the owner fails to contact the CAD office or if the agricultural use issue cannot be resolved, the field appraiser and the chief appraiser visit the tract in question. This allows the chief appraiser an opportunity to gather additional information before making a decision. After the field inspection by the chief appraiser has determined the agricultural use or intensity generally accepted is not taking place, the taxpayer is notified by certified mail that the agricultural use valuation will be removed for that current year and the reason the agricultural use was denied. The owner has thirty (30) days to appeal this decision to the Appraisal Review Board. The agricultural use denial letter is sent separate from appraisal notice indicating the agricultural use valuation has been removed.

Change of Use

A change of use is a physical change in land use. The owner has stopped agricultural use practices or does not maintain the intensity standards typical for the area. The chief appraiser must send by certified mail a notice of determination explaining the owner's right to protest the determination. The property owner may protest the chief appraiser's determination by filing a protest with the appraisal review board within 30 days after the notice was mailed.

If Colorado County CAD staff discovers a change in use:

- 1) The appraiser completes the appraisal card and returns it to the appraisal staff for review.
- 2) The staff mails the rollback notice to owner by certified mail.

If a property owner informs Colorado County CAD of change in use:

- 1) The request is given to the appraisal staff for processing
- 2) The account is researched. If there are any questions the appraiser will contact the owner.
- 3) The staff mails the rollback notice to owner by certified mail.

If a new plat is filed:

- 1) The appraisers reviews the annual new subdivision listing for all accounts to check for special valuation in previous years that need rollback
- 2) Subdivision percent complete listing is reviewed for the new subdivisions with site work
- 3) Field checks are made to check for any agricultural activity
- 4) Rollback notice is mailed by certified mail
- 5) After 30 days, if protested, accounts are scheduled for hearing.
- 6) After 30 days, if not protested the Rollback Information is forwarded to the assessor/collector to create a new tax bill.

Property Splits

- 1) If a property is split, a new account(s) is created, all accounts are researched and a rollback is initiated if a change of use has occurred.

Agricultural Committee

The chief appraiser is required to appoint, with the advice and consent of the board of directors, an agricultural advisory committee to advise the district on current lease conditions in the county. The committee must be composed of at least three members serving staggered terms, one of which must serve with the agricultural stabilization and conservation service in the county. They are required to meet a minimum of three times a year. During February-March, the Colorado County CAD schedules a meeting of the Ag Advisory Committee to review the survey results and obtain their feedback on leases, expenses, etc., in Colorado County.

Agricultural Valuation

Agricultural land in Colorado County CAD is divided into the following agricultural use categories:

- Irrigated cropland
- Dry cropland
- Orchard
- Improved pasture land
- Native pastureland
- Barren/Wasteland

In addition, each parcel in the county has a land type data entry area located on the land screen within PACS. The CAD will update these land categories as the information becomes available. As lease information is collected from the Ag mail-out questionnaires, the CAD will compare the reported data to the various soil types to determine if an upward or downward adjustment is appropriate based on soil type. The soil types are determined using the CAD's GIS mapping system. The soil types can be determined by placing the soil type layer over the parcel shape file. The soil type data has been supplied by the USDA and is incorporated into the GIS mapping system. The productivity value will include lease information from bird and deer hunting income. Typically, as pastureland becomes more productive for grazing or haying operation, the land becomes less productive for game and wildlife. The result is the better grazing pastureland (soil type) generates less hunting income while less productive grazing land generates more hunting income. Irrigated cropland can be rotated on 1 year in production and 1 year resting, or 1 year in production and 2 years resting, or 1 year in production and 3 years resting. The factors such as soil types, government programs, or water sources can have an impact on crop rotation.

Determining Net to Land Values

Net to Land income is the average annual net income that a class of land would be likely to generate over the five year base period. Under a lease method, net to land is the rent that would be due to the property owner under a cash lease, share lease or other typical lease agreement, less 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 five-year lease averages are capitalized into the current agricultural use value. The capitalization rate is provided by the Comptroller's office and is the greater of 10% or the interest rate specified by the Texas Farm Credit Bank on December 31st plus 2 1/2 %. The new unit prices are entered into the system and the accounts are updated.

2012 COLORADO COUNTY CAD NET TO LAND VALUES

$\$30.77 / .1000 = \308 ROWCROP & ORCHARDS

$\$36.71 / .1000 = \367 RICELAND

$\$9.41 / .1000 = \$ 94$ NATIVE PASTURE

$\$12.95 / .1000 = \130 IMPROVED PASTURE

$\$11.44 / .0872 = \119 TIMBERLAND

$\$ 54$ WASTELAND

NOTE: THE CAP RATE FOR TIMBER FOR 2012 IS 8.72%