



Jack County Appraisal District Agricultural Land

Qualifications, Guidelines, Definitions & Frequently Asked Questions



What is Agricultural Valuation?

Agricultural Valuation is a special-use valuation that is devoted to property that is primarily used for the agricultural production of food or fiber. Agricultural or productivity value is based on the land's capacity to produce crops or support livestock and not on the market value of the real estate market. Although this lower value reduces the taxable value of the property, a 'rollback' of the tax savings could be placed on the property if the land use changes to a non-qualifying use. The rollback recaptures the taxes saved for three (3) years preceding the change in use.

Land Productivity Valuation

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-1 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. (I.e. 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.

Guidelines have been established by the Jack County Appraisal District for implementation of these provisions. It should be noted that these guidelines are to be used as a general guide for qualifying

agricultural land. Exceptions to this guide will be handled on a case-by-case basis. All contiguous parcels can be considered on a stand-alone basis with consideration being given to common ownership. Small tracts of land that have been developed and/or marketed for residential use and are of inadequate size to support an economically feasible agricultural activity would not normally qualify for special valuation. The small tract of land with a home is considered residential in nature, with agricultural use as secondary. Land will not qualify simply because it is rural or has some connection with agriculture. The law does not guarantee a tax break for everyone who owns acreage. Casual uses such as home vegetable gardens, raising a steer, goat, sheep for FFA and 4-H projects do not constitute agricultural use for property tax purposes.

Jack County Appraisal District Agricultural Land Qualification Guidelines

The general policy of the Jack County Appraisal District is in accordance with the State Property Tax Board's qualification guidelines for agricultural use. The District's policy is that in order to qualify for Agricultural Use Valuation the land must:

1. Be utilized to the degree of intensity generally accepted in Jack 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 Jack County.
3. Be a substantial tract of land. Substantial means an identifiable tract of land of adequate size to support a typical prudent operation.

Jack County Appraisal District Agricultural Land

It is the opinion of the Jack County Appraisal District that the attached agricultural land qualification guidelines are valid for mass appraisal purposes and can be applied uniformly throughout Jack County.

These guidelines are supported by Section 183 of the I.R.S. Regulations.

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.

Agricultural Land Use Classifications

Non-Ag use - Land that is not being utilized in an agricultural endeavor (providing food or fiber). An example is the one acre used to support a house.

Minimal Use - Specialized category to cover very unique property where the land is of very little use. An example is the land on the river that changes size from year to year and has very minimal production. You will need to document anything listed under this category.

Timber Pasture - Land that is serving as a pasture for some type of livestock, but the land is so heavily timbered that the grass production is almost non-existent. This category could also include land with deep ravines where the grass production is nonexistent. This must be an integral part of a grazing operation, using one or more of the land types listed below.

Native Pasture - Land that is serving as a pasture for some type of livestock where the land is partially cleared of brush and trees and has native grasses.

Improved Pasture - Land that is serving as a pasture for some type of livestock where the land has been improved and has perennial grasses (Bluestem, Kline, Bermuda, etc.).

Dry Cropland - Land that is dedicated to crop production (hay production or row crops) that is not irrigated.

Irrigated Cropland - Land planted in row or broadcast crops that are grown for sale or used for feed, that are watered on a regular basis.

Orchards & Vineyards - Land that has trees or grapevines planted for a specific purpose of producing fruit or nut crops or grapes for the production of wine.

Beekeeping - Beekeeping is an agricultural use and shall qualify for agricultural use productivity valuation if used for pollination or for the production of human foods or tangible products that have a commercial value. {Sec.23.51(2) Texas Property Tax Code}

Jack County Appraisal District Minimum Acreage Guidelines for Ag-Use

FARMING

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

Land Leases

Leases are an acceptable agricultural use for the owner of the property provided the lessee is using the land to the standards of agricultural use for WCAD and the lessee has enough contiguous land (either owned or leased) to suffice the minimum standards of size. An owner applying for agricultural use valuation using a lease agreement needs to include with the application a copy of the lease if a written lease is used. If there is an oral agreement in place then the lessee needs to provide a letter stating the kind of agricultural use, the number of livestock run on the property or acres planted, duration of the lease, and contact information of the lessee.

Wheat, Oats, Grain Sorghum, or Hay: Minimum of 10 acres to qualify. The scale of operation is not feasible in terms of capital required for less than 10 acres (owned or hired). Yield should be two bales per acre with a minimum of 10 bales produced. The current cost for hay baling is \$30-\$35/ roll

RANCHING

The land will be either improved pasture or native pasture and may include a portion of timber pasture.

Cattle: Minimum of 1 animal unit per 10-15 acres. Minimum 10 acres. A smaller scale of operation is not feasible in terms of capital required (owned or hired) and transportation costs.

Sheep or Goats: Minimum of 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: Land used primarily for "raising, breeding and/or grazing horses" and other activities that are for "farm or ranch purposes" are agricultural uses. Horses stabled, trained or used for recreational purposes DO NOT QUALIFY for Agricultural Use. Horses have a minimum of 5 animals or 50 acres. A smaller scale of operation is not feasible in terms of capital required (owned or hired) and transportation costs.

LIVESTOCK

1 Animal Unit (AU) Per 10-15 Acres

ANIMAL UNIT (AU)

2- 500 Pound Calves = 1 animal unit

Cow & Calf= 1 animal unit

Bull= 1 ½ animal unit

Horse= 1 animal unit

5- Sheep or goats= 1 animalunit

OTHER AGRICULTURAL ENDEAVORS

Orchards: are not common in Jack County. However, we do have some pecan tree orchards. Orchards are designed, planted, harvested and the product is sold in a business manner. Trees are planted in rows or in an organized way in accordance with the type of orchard and type of trees. Orchard minimum 5 acres with 15 trees per acre.

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 offset 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.

This shows that even the IRS has trouble in identifying actual farming endeavors or just "write-offs."

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.

The applicant must provide a plan specifying the following:

- Type of bees
- Number of hives
- Map with location of hives and plant life
- List of vegetation for hive's food source (all plant life intended to support hives)
- Size of property to be used for beekeeping
- Information about bee migratory habits
- Marketing plan for production

Texas Property Tax Code Section 23.51 (2) "Agricultural use" 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 acres or more than 20 acres.

Upon qualification the property should qualify for an agricultural productivity valuation that considers both income and expenses that would be typical for the usage.

The hives must be:

- Maintained and kept alive
- Located on the property for a majority of the year.

Hives should be situated up off the ground. Flowering plants should be planted to support hives, if the hives are in areas where there is limited vegetation that requires pollination.

Jack County degree of intensity is (6) hives on the first (5) acres with one hive per additional 2.5 acres up to 20 acres. Any additional acreage (above the 5.00 acre minimum) less than 2.5 acres would not require an additional colony (hive).

Acres	Hives
5	6
7.5	7
10	8
12.5	9
15	10
17.5	11
20	12

This will give a range of 6-12 hives for a minimum requirement or an average of 0.6 hives per acre. The productivity value for beekeeping will be based upon the productivity value of honey at \$1320/acre. The Jack County Appraisal District will approve the agricultural productivity appraisal on the total acreage, not just the area where the hives sit.

What is a "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-1 valuation by either the sale of land or a change in the use of the land. It extends back 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 three {3} 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.

What qualifies as a change of use?

A change of use is a physical change to the property such as subdividing or building non-agricultural buildings on the property. The property owner must stop using the land for agricultural use.

What if I build a home on my property, will this trigger a rollback?

A property owner may divest part of the tract for use as his own residence homestead without triggering a rollback, as long as the remaining acreage continues to qualify for the special use agricultural valuation. The owner avoids the rollback only as long as they continue to use the home as their residence. In effect, the owner must occupy the home for three {3} years to prevent the rollback of taxes.

Who determines a change in use?

The Chief Appraiser makes the determination regarding the Change of Use and must send the owner a written Notice of Change of Use Determination.

Is the change of use determination appealable?

A property owner may appeal any action taken by the Chief Appraiser regarding their property within thirty {30} days of the notification of that action to the Appraisal Review Board. If the property owner continues to use the land but does not maintain the degree of intensity typical for the area, the land may lose its eligibility for 1-d-1 but may not be subject to a rollback.

Wildlife Management

If land qualifies under Article 8. Sec. I-d-I, Texas Constitution, and Chapter 23, subchapter D, Tax Code, for the agricultural value the taxpayer may convert to a wildlife management plan. The owner must currently follow ways to propagate a sustaining breeding, migrating or wintering population of indigenous wild animals for human use, including food, medicine or recreation: habitat control, predator control, providing supplemental supplies of water or of food, providing shelters or making census counts to determine population. At any time in the future, the Appraisal District may request an inspection of the property to verify what progress is being made. You should keep and maintain your receipts, any documentation where you are working with the Texas Parks & Wildlife, all schooling and/or courses pertaining to this specific wildlife that you have attended census counts and updates of the accomplishments for your animals. **Contact the local appraisal for forms and requirements.**

Please note:

Once an application for I-d-I 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 1st and April 30th. Applications received after the April 30th 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.

Penalty for Late Filing:

When a property owner files for agriculture use valuation after the April 30th deadline but before the certification of the appraisal record (typically July 20th) then they are subject to a late filing penalty. If the late application is approved the owner must pay a penalty equal to ten percent of the difference in taxes between agricultural productivity value and market value.

Example:

Applications received after the deadline will be accepted until the appraisal roll is certified. If approved, late applications will be subject to a late penalty of 10%. The "late penalty" is figured by taking the difference between having the special valuation and not having the special valuation. The late penalty is 10% of the difference. This penalty can vary greatly from property to property since it is based on the market value. Below are five examples to show how great the late penalty variances can be:

Example: One acre of land has a market value of \$5,000 and agricultural productivity value of \$80.

The cumulative tax rate is \$1.75 per \$100 of valuation.

Taxes for one acre of land at market value= $\$5,000 \times \$1.75 / \$100 = \87.50

Taxes for one acre of land at agriculture productivity value= $\$80 \times \$1.75 / \$100 = \1.40

Late penalty on one acre of land= $\{\$87.50 - \$1.40\} \times .10 = \$8.61$

PLEASE BE ON TIME!

ONCE THE ROLL IS CERTIFIED, THE SPECIAL VALUATION CANNOT BE APPLIED!

Definitions of Key Words / Phrases

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 number 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 Jack 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 Jack County Appraisal District.
5. Principally means the more important use in comparison with other uses to which the land has.

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.

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.

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.

How do I apply?

An application for 1-d-1 (Open-Space) Agricultural Use Appraisal form (50-129) may be obtained at the Jack County Appraisal District office or on our website at www.jackcad.org. The application must be completed and returned between January 1st and April 30th. A late application may be accepted prior to the Certification of the Appraisal Roll (usually on or before July 20th), however there is a 10% .. penalty for late applications. If two appraisal districts appraise your property, you must file with each respective office.

Frequently Asked Questions ???

Q: I'm growing timber on my property - so where are those qualifications listed?

A: The timber use qualifications are intended for areas where they have logging operations (East Texas). There is no timberland in Jack County currently used for a logging operation.

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. They may have been receiving the agricultural valuation in error, if the land was not being used.

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 1st 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.

Q: I know I turned in my application for agricultural use but it is not listed on my tax bill. How do I prove I turned in my application?

A: We would recommend keeping a copy of your application. The Appraisal District will be happy to provide a copy with a dated stamp showing we received your application.

Q: How often do I have to fill out these agricultural use forms?

A: You must fill out a new agricultural use application when any of the following occurs: - Anytime you change the use of the land

- Anytime you sell off part of the land
- Anytime you buy additional land
- Anytime you change the deed
- Anytime you change the name to a trust
- Anytime you change the un-divided interests percentages
- Anytime the chief appraiser requests a re-sign

(some CAD's request it every year...every 2 years, ...every 3 years, ...every 5 years, etc.)

**If you have any questions please call the
Jack County Appraisal District Office 940-567-6301
You can return the applications & supporting documents via regular mail to
P.O Box 958 Jacksboro, Tx 76458 or email1-jackcadll9@jackcad.org**